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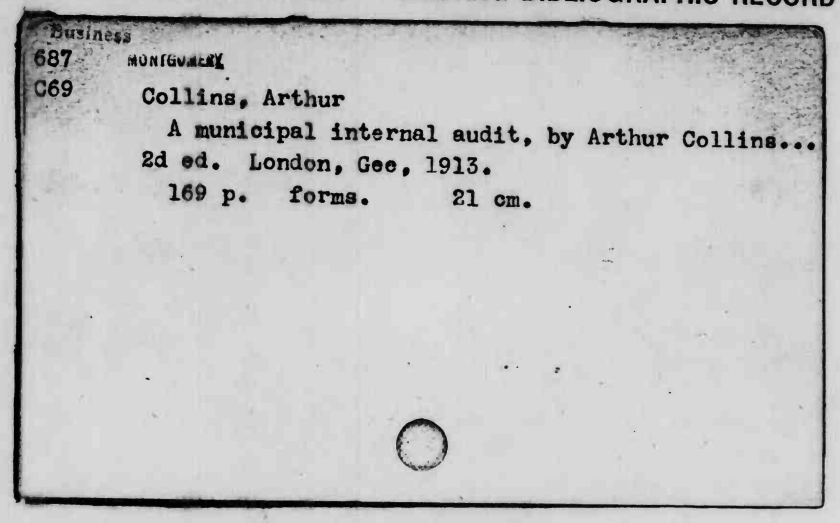
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A MUNICIPAL

INTERNAL AUDIT.

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A MUNICIPAL
INTERNAL AUDIT.

BY

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Associate of the Society of Incorporated Accountants and Auditors (Incorporated).
(*Silver Medallist, Final Examination, 1904.*)
Associate of the Institute of Municipal Treasurers and Accountants (Incorporated).
(*First Prizeman, Final Examination, 1905.*)
Author of "The Organisation and Audit of Local Authorities' Accounts," etc.

This handbook presents a full description of an Audit of the Departmental Receipts of a Municipality, for the use of Accountants generally, and is specially designed to assist Students in their preparation for the Examinations of the Institute of Municipal Treasurers and Accountants (Incorporated), for whose Examinations it is officially recommended as a text-book. The methods advocated are based on systems in operation in the leading Municipalities in the Kingdom.

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PREFACE

THE original purpose of this handbook, when first issued, was to assist students of municipal finance in preparing for the examinations of the Institute of Municipal Treasurers and Accountants (Incorporated), and to explain, to general practitioners in accountancy, methods of audit of the revenues of local authorities. The test papers actually set at the examinations have since shown that the ground of the test questions was usually covered by this work, and the opinions expressed by practising accountants have indicated that the methods of audit advocated are for the most part useful and generally practical. In this edition further suggestions are made for the organisation of defence against fraud, and for improvement in the machinery and system by which revenue is most efficiently to be collected and controlled.

It is true that the first edition was handicapped by the authorship of a young officer, and riper experience may not have improved the literary style, but that defect has been overlooked once, and, it is hoped, will be again.

A. C.

The Council House,
Birmingham,
February 1913.

A MUNICIPAL INTERNAL AUDIT.

CHAPTER I.

INTRODUCTORY.

THIS book, whilst intended mainly for those engaged in the keeping and audit of Municipal Accounts, is not to be regarded as an exhaustive treatise on that subject. It is, on the contrary, only one of the phases of work with which municipal officers come into contact, but the time bestowed on a perusal of its pages should prove of assistance, and especially suggestive, even to the most experienced municipal internal audit clerk, to whom chiefly it will appeal.

To those whose duties are not directly connected with municipal internal audit work, it is as well to point out that this book is not intended to be a substitute for but supplemental to the standard works on general auditing, of which large field a municipal internal audit forms but a part, yet an important part, having regard to the large sums at issue.

Students would be well advised to make themselves thoroughly acquainted with the contents of such a volume as Dicksee's "Auditing," or Pixley's "Auditors," and then, with the principles governing an auditor's general work and procedure firmly grasped, to take up the study of this work. Having acquired by this means a knowledge of the many details with which an Internal Auditor has to be acquainted, he

will see how audit principles are applied in practice. A student is otherwise apt to believe that much of the detail to which he is expected to give his close attention is superfluous, regardless of the fact that it is only by careful treatment of detail that an Internal Auditor can really appreciate the accounts of the larger undertakings. The principle involved in tracing the amount of a coke sale to its proper account, for instance, is the same as that which governs the checking of postings to the Private Ledger of a huge undertaking.

Let the student, then, first make the foundations of his knowledge firm, and afterwards build up on those foundations the superstructure of detail.

For a full consideration of the Liabilities and Duties of Auditors generally, the student cannot do better than study a standard work on auditing, and as candidates at the Examinations of the Institute of Municipal Treasurers and Accountants are expected to have not merely a knowledge of municipal internal audit, but of an auditor's work generally, the works on general auditing, previously mentioned, should on no account be omitted from their studies.

If as the student works his way through the pages following, he be inclined to think that the work to be done under the systems here described would necessitate far more time and a much larger staff than is possible in the office in which he works, he should not overlook the fact that an examiner cannot be expected to know the circumstances of the Finance Department of the candidate's particular town, nor can he know the number of the staff to whom the internal audit is entrusted. He cannot be expected to take no cognisance of the fact that an answer is very "thin," and presume that the reason therefor must be that in practice, the candidate's time is so fully occupied that his audit must be necessarily superficial.

In some cases the Internal Auditors on a municipal financial officer's staff have as part of their duties the verification of the details of expenditure of a Corporation, and the accurate keeping of all the books of account, but generally speaking the internal audit staff is only given charge of the verification of all receipts from their source, the vouching of expenditure being done, in many Corporations, by Professional or Elective Auditors. This handbook is therefore not descriptive of the audit of *all* the possible transactions of a municipality, but is designed to assist audit clerks, accountant students in general, and students for the Examinations of the Institute of Municipal Treasurers and Accountants (Incorporated) in particular, by detailing and summarising the many sources from which the revenue of a municipality springs, tracing each receipt from its source, either from a Credit Sale or for Cash, and describing the books of account and various methods and precautions which may be adopted to ensure that as far as possible all receipts, from whatever source, are duly accounted for.

With a good general knowledge of its contents, it is believed that this book will enable students to satisfy the Institute's examiners, and the chief officers under whom they serve, as to the extent of their knowledge of, and their fitness to be entrusted with, a Municipal Internal Audit.

Those whose duties require, or whose inclinations prompt them, to extend their study of municipal audit problems so as to cover the whole subject, are directed to the author's complementary work on "The Organisation and Audit of Local Authorities' Accounts," by the same publishers as those of the present volume.

CHAPTER II.

THE AUDITOR.

THE conditions under which an Internal Auditor works differ in many ways. There may be in some Boroughs Elective Auditors who are sometimes professional auditors, and who may conscientiously carry out the duties of that office by checking income from its source. There may also be professional auditors appointed by the Town Council, whose work is supplemental to that of the Elective Auditors. This professional audit may at the same time expressly exclude the checking of detailed income, the Corporation, by the provision of its internal audit staff, itself undertaking that responsibility; or the professional auditors may judge of the reliability of the internal audit staff's work by auditing given periods, and thus making "test" cases. Elective Auditors may, however, be merely political or social nominees, and not *auditors* in any sense other than the nominal, professional auditors' services not being requisitioned.

In any case, the Internal Auditor's responsibility is great, and though it may be argued that in the last hypothetical case, where the Corporation's own internal audit staff is solely relied on for the internal audit, the responsibility is greatest, yet it is submitted that this fact does not in the least degree detract from the measure of reliability expected in all the other stated cases; and if for a moment an Internal Auditor should be forgetful of this fact, he need only call to mind the cases of peculation—comparatively few in number—which have occurred

within recent years by municipal or other officers, and he will find that the need for vigilance is not relaxed by any other system of audit being applied, in addition to the internal audit. Moreover, he could but feel chagrined at having failed by his own laxity to detect an error afterwards discovered by the external auditors, elective or professional. Above all, the fact that in most cases the Internal Auditor is on the Borough Treasurer's or Accountant's staff, and has been entrusted by him to carry out, in his name, this most important work, should constitute in a man of high principle a debt of honour which he owes to his superior, which cannot fail to have the effect of instilling into him a constant determination to bear unsullied his reputation for reliability and accuracy, and to merit the trust which his chief officer reposes in him, by conscientious attention to the details of his duties.

While speaking of the detail of a municipal audit, it should never be forgotten that the Internal Auditor is necessarily an auditor of detail. It is not, speaking generally, within his province to see that the thousands of pounds of income are expended in accordance with legal and other provisions, but on him does his chief officer rely to see that the pence which go to make up those pounds are (so far as can with all possible care and precaution be ascertained) brought into account.

Another point to which an internal audit clerk's attention must be called is that although the books submitted to him may be apparently in perfect order, he must not thereby consider that everything is as appears on the surface; he must always look *beyond* the books themselves, otherwise he is liable to become a mere ticking machine. Perhaps the greatest danger against which a municipal Internal Auditor has to guard himself is that of falling into a groove, and becoming more and more like an automaton. His work in this respect differs from that of the general audit clerk on a professional auditor's

staff, in that a municipal Internal Auditor is always on the same class of work, without variety other than that afforded by the various departments and undertakings whose receipts come under his audit, and which, when repeated, week in week out, throughout the year, are apt to make a careful auditor lax and machine-like, unless by diligent application he keeps his wits at work continually. This can only be done by constant care and provision against an evil which may, especially if suspected by any officer who may choose to profit thereby, lead to serious results. He should, then, bring his imagination into play, and assuming that he were the official whose books were under inspection, should ask himself the question, "By what means could I, were I so disposed, divert receipts from their proper channel?" It is only by the exercise of his powers of perception and imagination that an Internal Auditor can be said to be fulfilling his purpose. Anyone may check the accuracy of entries from book to book, whether a skilled accountant or a mere bookkeeper; it is by the continual use of his auditorial acumen that an Internal Auditor succeeds. This only tends to support what has been previously said—viz., that to catch the spirit of real auditing a careful study of a standard text-book, such as has been mentioned, is vitally necessary.

It must not be thought that it is the bounden duty of an Internal Auditor always to be predisposed to distrust the officials whose books and accounts come under his examination. Lest that should be the case, the audit clerk is referred to the following dicta of Lord Justice Lopes in the *Kingston Cotton Mills* case, the facts being as reported at page 225 of *The Accountant* Law Reports, Vol. XII:—

"It is the duty of an auditor to bring to bear on the work he has to perform that skill, care, and caution which a reasonably competent, careful, and cautious auditor would use. What is reasonable skill, care, and caution must

depend on the particular circumstances of each case. An auditor is not bound to be a detective, or, as was said, to approach his work with suspicion, or with foregone conclusions that there is something wrong. He is a watch-dog, but not a bloodhound. . . . He is entitled to assume that they (the officials) are honest, and to rely upon their representations, provided he takes reasonable care."

The above judgment is one to which the student will find his attention called in any standard work on auditing, and although the judgment was delivered in a case decisive of the liabilities of auditors to a limited company, yet the sound common sense which the remarks contain, together with the fact that they are applicable to auditors of any and every class, render them worthy of inclusion in every book which elects to deal with any branch of auditing, whether municipal or otherwise.

Of the personality of the auditor, much has been and may be said. An auditor cannot be a typification of all the known virtues, as some would have him, but the possession of some of them at any rate is essential.

The auditor himself should be possessed of patience, perception, and tact. The detail will need his patience; the chance of the presence of fraud will necessitate the use of his power of perception; his relationship with the accounting officers will require his tact. He is often in a position where he must do his duty at the risk of incurring the displeasure of the chief of a department who has a far greater standing than he, yet it is superfluous to say that the auditor must, if he conceive his duty to be such that it cannot be carried out without the risk of such an occurrence, go on with it; his first duty is to his office; his favour with the chief of the department whose receipts are under audit is of secondary importance. He will find his own chief ever ready to support him in all things necessary for the proper fulfilment of his duties.

At the same time, he should be careful that his conception of the importance of his duties is not an exaggerated one; he should not be overbearing, but should make his requests in a firm and respectful manner, and if he points out that he considers the subject of his request to be simply a part of his duty, he will not find it necessary to report to his chief that any unpleasantness has arisen. Let him also not forget that he cannot interfere in the management of a department, but so long as his chief is the responsible officer for the financial arrangements of a Corporation, the accounting officer is always ready to adopt the methods which the financial adviser considers are necessary to meet the requirements of the particular department.

Unless the modifications or additional requirements are but trivial, an audit clerk will find it best to report his requirements to his chief, so as to have a formal and official notification of the requirement made by him to the principal of the department concerned. Neither principal likes these alterations in the system carried out without his cognisance, and although it is wise to point out at the time the need of such a reform to the person actually in charge of the books, yet it is always best to have the alterations made by arrangement between the principals.

This then is considered to be an essential part of an Internal Auditor's personal equipment, that he should have patience, perception, and tact.

His duties may not always run smoothly, but he must be prepared for that. His maxim is "Duty first; personal considerations second," and this, carried out tactfully, will enable him to command the confidence of his chief and the respect of the accounting officers whose accounts come under

his check, without in any way conducing either to familiarity and the contempt it breeds, or open antagonism with its unpleasantness.

Memo.—In this handbook the words "Chief Financial Officer" and "Treasury" refer to the chief and staff of the Finance (or, if separately conducted, the Audit) Department respectively. The "Accounting Officer" signifies the official whose receipts are under audit, and who is responsible for the receipts being properly accounted for.

CHAPTER III.

ANTE-AUDIT.

In municipal accountancy there is not, and can scarcely be, uniformity in the methods by which an accounting officer is supervised, if regard is to be had to local or other special circumstances. That counterfoil or other receipts must be used, and that Collecting and Deposit Books be made up by the accounting officers is a *sine quâ non* in an audit, for truly without some such means of supervision an audit cannot be said to exist. Some departments, such as, for instance, Public Conveniences, do not need receipt-check books, but there must be, either by receipt books, turnstiles, tickets, registers, or some other such means, clerical or automatic, a method of check.

First then as to the form of receipt-check book, which is a matter commonly raised by the questions set at the Examinations of the Institute of Municipal Treasurers and Accountants (Incorporated).

There may be said to be three kinds: first, the counterfoil (like the counterfoil of a bank cheque book); second, the manifold carbon copy, which is kept over or underneath the issued copy; and, third, the triplicate form of demand, receipt, and counterfoil, used more particularly for rate collection purposes. The third may almost at once be summarily dismissed as being antiquated, and now (except in small parishes where the work of rate collection is performed by one official) almost entirely superseded by the counterfoil or manifold carbon copy.

The merits of the triplicate form, as used for rating purposes, are as follows:—

(1) Every one of the forms, in its three parts, is made out in the order of the rate books before rate collection starts, and the issue of receipts is thus expedited.

(2) As receipts are issued, the remaining receipts in the book show the outstanding rates, without reference to the rate books.

(3) The posting of the rate books need not be kept up to date, in consequence of the preceding consideration—if this can be considered as an advantage.

(4) The collectors do not need to write up pocket abstract books for use on their rounds, showing the sums they are to collect, as is necessary with unprepared books of receipts and with the rate books (of unwieldy size, as a rule) kept in the office.

All these advantages of the triplicate receipt books prepared in advance are, however, quite dissipated by the impossibility of applying a continuous audit to the receipt books; for instance, with 10,000 receipts prepared in advance, it would be necessary for the auditor to go through the whole number every audit—say daily—to find out which receipts had been issued since the last audit, even if only one, or perhaps none, had been issued. Where the number of ratepayers in a parish is very small, a continuous audit need not be applied, and a completed audit half-yearly or quarterly suffices. In those cases the system works well on the whole, but even then the system is defective, for these reasons:—

(1) It makes no provision for payments on account.

(2) It does not allow for rates being paid on a house, say, by one occupier for part of the year, and another occupier for the rest of the year. Only one receipt for the whole year is provided.

These requirements are partially met by other means outside the system, though not satisfactorily from an audit point of view, but it must be remembered that the triplicate system is in operation in hundreds of small parishes to-day.

Of the other two systems mentioned, the chief disadvantage of the counterfoil receipt-check book is that it is not difficult to fill up a counterfoil for one amount and the actual receipt for a different sum. It is certainly cleaner, being without carbon paper, and allows of details or memoranda being noted on the counterfoil, but it is generally found that the purpose of check is best fulfilled by a manifold or carbon copy receipt-check book, where a true copy of the original receipt is, *or should be*, retained. This subject is discussed later.

Should the carbon copy form of check book be in use, a small point well worthy of discussion arises as to whether the "tear-out" (the receipt) or the retained copy (the duplicate) should be bound on top—that is, whether the retained leaf be the one actually written on, and the "tear-out" bear the impression of the carbon paper, or *vice versâ*. It is perhaps best to bind the "tear-out" underneath the retained leaf, for the reason that especially at an office counter where the payer sees the receipt made out, it is not so easy for a collector to write out the counterfoil, and then tear out the receipt and make that out for a different amount, as it is if the "tear-out" were on top of the retained copy, when he could make out the receipt, keep out the carbon paper, and afterwards make out the retained "copy" for whatever amount he wished. A disadvantage is that it is not as easy to affix stamps on receipts underneath the carbon paper for amounts of £2 or over, and this on a busy day is a consideration. However, it is merely a matter of opinion for the chief officer to decide. Wherever manifold

receipt-check books are used, the carbon paper should be two-sided, thus leaving an impression on the under-side of the leaf written on, as well as making the copy on the leaf underneath.

Where turnstiles or other mechanical registers are used, a reliable make should be adopted, and its reliability thoroughly tested before being used as a sole means of check—an arrangement which is not to be commended wherever other additional checks can possibly be brought into service.

There are also certain precautions to be taken in issuing receipts to the collectors in the first instance, and afterwards in checking them. These precautions vary in detail, as do many other of the audit arrangements in different boroughs or urban districts, but there are many primary precautions to be taken which are (or should be) common to all, which may now be considered.

In the first place, where internal audit is carried out by the Treasury, *no* department, other than the Finance Department (the Treasurer, Accountant, or Auditor), should be allowed to order the receipt books or tickets required for the acknowledgment of receipts. The members of the Treasury staff who have as their duty the examination and verification of tradesmen's accounts, should have strict instructions given to them never to pass any charge made by a tradesman for receipt books or tickets supplied direct to the accounting officer's department, and to report to the audit department any occurrence of such a nature. This does not of itself remove the possibility of an accounting officer ordering and paying for out of his own pocket receipt books and tickets of a type similar to the real official ones in use. It is as well to let each printer who deals with the local Council have instructions that orders for receipt books or tickets are not to be accepted unless emanating from the Treasurer, and also to report the receipt of any order for such

books from an office other than that of the Finance Department. It may be pointed out that this does not prevent an attempt by the accounting officer to defraud by ordering the receipt books out of town. This is true; an auditor should therefore notice occasionally whether the number of receipts given out is in accordance with that of previous comparative periods, whether every periodical sum is duly accounted for, and whether the amount received shows any appreciable decrease on a prior corresponding period. It is a good plan also to be familiar with the form of receipt, and even the texture of the paper of the receipt checks of each department, so that wherever one may be met with, at a glance its validity may be tested. The slightest slip on the part of a dishonest official may thus give the auditor a clue. Proofs of the receipts should also never be sent by the printer to any other department than the Finance Department, otherwise the accounting officer may retain the proof and use it instead of an official receipt, without accounting for the amount acknowledged by the use of that receipt. That this is no unwarrantable supposition experience has proved. The printer, when he sees the receipt, headed, say, "The Gas Works, ——— Road, ———town," may easily send the proof there by mistake.

On the completion of an order, when the books are delivered it should be the duty of a junior to go through them and see that the machine-numbering of each receipt is correct, that no omissions or duplications exist, and that the receipts from beginning to end are in consecutive order.

Tickets, whether in rolls or bundles, should be submitted to the same examination. Each ticket should be in order, consecutively numbered. Mistakes by the printers and the numbering machines are not so rare as might be supposed, and in one instance a defalcation was accidentally discovered to have been committed by an officer who found ten tickets too

many in a bundle of 250, the numbering machine having numbered ten in duplicate. This incident is but one of many similar, and proves that these precautions are indispensable, for an incomplete check is worse than no check at all.

From what has already been said, the auditor should never allow a ticket to be accounted for as "sample," without the initials of the Treasury clerk being appended in verification of such an entry.

All receipt books and tickets should be kept in locked compartments, and the keys entrusted to an officer in authority. As they are received from the printers and checked, they should be entered in a "Register of Receipt Checks." A sample ruling of a book which works well in practice is here given:—

.....Department				.....Books. Sch. No. Printers.....		
Date Received from Printers	No. of Book	Consecutive Nos. of Receipts		Date given out	Requisition No.	Signature of Receiver
		From	To			

No more receipt-check books or tickets should be issued at one time than are necessary, or usual, without in the latter case an explanation. It is advisable also to require as an authority to deliver receipt-checks, tickets, &c., a requisition from the head of the department for whose use they are intended, just as one would with stores of materials.

Any review of the arrangements preliminary to the actual audit would be deficient which did not specifically state that of all the means of check by what might be called "external evidence," the Minutes of Committees and of the Council are amongst the most important.

A municipal Internal Auditor should himself go carefully through the minutes of each Committee kept or prepared by the Clerk to the Council, and he will there find many transactions of the different departments reported, either in detail, or merely by statements of such a nature as "Certain contracts were accepted at the price now named." Where a resolution gives full particulars of a transaction, and the prices, persons, and conditions, such particulars must be noted. The particulars of any transaction which is not so fully reported must be obtained from the Clerk's Department. The value of these particulars thus ascertained *before* the periodical visit to the department cannot be over-estimated, and throughout the ensuing descriptions of the audit of the various departments the student cannot fail to perceive the great use which may be made of these details of a department's work. To quote a very simple case, that of a committee approving the draft agreement of say one of its farm or cottage properties on its water-gathering ground, if the auditor at once obtains these particulars of the tenancy from the Town Clerk's Department, an efficient check on the due receipt of the exact amount of that rent, periodically, is obtained, and the note is made before the sum is due, which enables the auditor to watch for it coming in, instead of going back to check the sum after it has, or may have been, accounted for. This instance is one of many to prove that this perusal of the minutes is of immense use, and is but a practical illustration of the efficacy of the old adage, "To be forewarned is to be fore-armed."

It has been stated that notes should be made of particulars thus obtained. In Chapter IV, where the question of "Audit Reports" is dealt with, a proper system of making, using, and retaining these notes will be found.

From this brief summary of arrangements preliminary to an audit, it will be seen that although they may be and often are varied to some extent according to a local authority's particular requirements, or the personal opinions of a chief financial officer, they embody several important principles vital to the efficiency of an audit, and although additional precautions may perhaps be taken, it is submitted that it would certainly be unsafe to detract from the essential safeguards—viz., that the entire control of the supply and delivery of all receipt checks should be in the hands of the chief financial officer, and that no means of obtaining a check additional to that afforded by those books should be neglected. On these foundations the basis of an efficient audit is laid.

The methods and precautions which have been described are intended to ensure that all receipts are accounted for, whether the moneys received be from prepaid sales, or payments on current accounts for goods sold on credit. It is necessary therefore to consider what provisions should be made, prior to the actual performance of the audit, to obtain a check on the due entry of the sale of goods which are not at the moment of sale paid for.

Leaving out of consideration at this juncture the rates, and gas, water, and electricity rentals, which are each separately dealt with, provision should be made in every department, where required, for the necessary books to record the entries of charges not paid at the time, and for all outgoings of materials from stores or stock on credit, to be recorded, so as to ensure that there are no omissions, and that the due entries are made in the

appropriate Debtors' Ledger, sufficient detail being entered for rendering accounts to the debtors at due dates.

Every sale which is not for cash, but on credit, should be entered in a Day Book, as would a credit sale by a trading firm. Whether the record of the sale should be kept by means of a delivery ticket, and Goods Outward Book as well, depends on the extent of the trading undertaken. In some departments of a local authority's work the sales or charges on credit are so small that tickets and Goods Outward Book are not required, but an entry of the debt in the Day Book or appropriate Charges Register suffices.

Where delivery tickets are necessary, the same rules as to the supply and delivery should apply as those referred to when dealing with the receipt-check books, and the chief financial officer should have the control of them. Particulars recorded by the duplicates of these delivery tickets should be entered in a Goods Outward Book, and the totals of this book posted from the analysis columns to the appropriate Stock and Stores Ledger Accounts. Each ticket for the delivery of stock or stores should come under the auditor's check, as explained in all those departments following, where credit sales or charges occur.

For other charges—such as rents of premises, way-leaves, acknowledgments, &c.—a Rent Roll should be in use, and every rental entered, to be checked as hereinafter shown.

All the means of external check applicable to the certification of the due acknowledgment of all receipts, especially the Minutes of Committees, will apply to credit sales and charges. To a certain extent, the audit of *cash* receipts includes the audit of charges and sales on credit, whether the amount is received a month or six months later, the precautions taken to ensure

the acknowledgment of the receipt necessarily covering the proper debiting of the account owing; it only becomes a question as to the books which the chief financial officer decides to be necessary to ensure that goods, rentals, services, &c., are not supplied *gratis*, where charges should be made, that no sums owing are lost for want of attention to their collection, and are at balancing times brought into account.

The auditor should always obtain from the head of each department a certified list of all books kept in the department which record receipts or sums recoverable, and this list will form a useful basis on which to commence his work.

With these ante-audit provisions borne in mind, the way is clear for a consideration of the actual carrying out of the audit.

CHAPTER IV.

THE AUDIT.—GENERAL CONSIDERATIONS.

THE first question arising in the audit itself is the interval which should elapse between the periodical visits to, or the receipt of the books from the department for audit. In this no hard and fast rule can be laid down, owing to the many varying local circumstances. It must be left to the chief financial officer of each particular municipality to decide, taking into consideration the size of the borough, the departments, and the staff at his disposal for the internal audit. Every accountant student is aware of the difference between a "continuous" and a "completed" audit, and all that need be said is that an efficient internal audit of the receipts of a municipality is almost necessarily a "continuous" one, the books being under audit all the year round, and not simply at year-ends.

In an audit of this nature, especially a municipal internal audit, the question as to whether a visit for audit purposes should be notified or be a surprise visit should receive consideration according to the circumstances of each department, whose convenience may to some extent be considered.

The auditor's first duty is to pay a visit of inspection to the department (having previously obtained a certified list of books in use for receipt purposes or credit sales and charges), and go through each book with the cashier, or other responsible person, carefully noting all the information obtained, and all the sources from which income has been or may be accrued.

Moreover, it is always time well spent to go over the works or the ground from which the receipts are obtained, to exercise the powers of observation and perception by carefully noting the operations taking place at the time, and seeing if there is any scope for an attempt at fraud by omitting to enter receipts from any particular sub-department's transactions.

All the sources of income, actual or probable, thus obtained at a first visit, and by the examination of the receipt books, should be tabulated on an "Audit Memo. and Report Sheet." As an illustration of the use to which such reports may be put, and remembering also what has been said of taking extracts from the Corporation Minutes, the following *pro formâ* "Audit Memo. and Report Sheet," used at a gas works audit, may be given :—

(COUNTY) BOROUGH OF.....

AUDIT MEMO. AND REPORT.

GAS DEPARTMENT, LONDON ROAD WORKS, Week (or Month) ending September 30th 191 .

	Cash A/c	Credit Sales A/c (Day Books, &c.)	Memoranda: Extracts from Minutes — Page	Memoranda: Extracts from Minutes — Notes	Memoranda: From other Departments	Memoranda: From last Audit Report	Report: Payments to Bank	Report: Defects — Rectified	Report: Defects — Carried to next Report
Sources of Income:—									
Gas Rentals—									
Meter—Ordinary ..	..	C	122	Price reduced to 2/6	..	17 Arrears cases	C	..	11 Arrears cases
" Prepayment	..	C	123	Price reduced to 3/4 per m.					
Public Lighting ..	..	C	126	1,598 Lamps in use					
Coke Sales	C	C	121	Contract let for 100 tons to W. Brown at 6/8 per ton	Tramway Department paid £4, Aug. 21	Receipt No. 2,045 cancelled—missing	4/- short, paid Aug. 31	Receipt No. 2,045 replaced	4/- underpaid, Aug.
Tar Sales	C	C	..	..	..	..	C		
Surplus of Ammonia Sales	C	C	..	..	..	..	C		
Other Residuals Sales	C	C	..	..	Highways Department paid £8 for Oxide	..	C		
Old Materials Sales ..	C	C	..	..	..	..	C		
Fittings Sales	C	10/- wrong debit, p. 104	..	..	..	..	C		
Stoves & Grillers Sales	C	C	..	..	..	..	C		
Meter Sales	1/- error in addition	..	..	..	Tramways Committee paid £8 8s. for Dry Meter	..	1/- short added	..	1/- short added
Weighbridge Charges .	C	..	..	..	..	..	C		

Deposits:—									
Security for Payment..	C	..	118	Deposits on Beach Estate to be £1 per house	..	Alterations on Receipts to be stopped	C	Receipts in good order	
Meter Testing	C	..	..	..	..	..	C		
Rents:—									
Houses	C	Cottage No. 24 in arrear	..	..	..	..	C	..	Cottage No. 24 in arrear
Shops	C	C	124	16 Manchester Road, Rent increased to £80 p.a. ..	..	..	C		
Hoardings	C	C	..	..	..	..	C		
Sundries..	C	C	..	..	..	..	C		
Acknowledgments:—									
Other Receipts.. .. Specified	C	..	..	..	..	..	C		

COMPARISON OF RECEIPTS.

	Sept. 1913	Sept. 1912	Increase	Decrease	Remarks
	£ s d	£ s d	£ s d	£ s d	
Gas Rentals (analysed) ..	10,801 6 4	10,760 6 2	41 0 2	..	Reduced price as above
Residuals	1,864 5 2	2,009 15 6	..	145 10 4	Residuals cheaper / Coke reduced 3d. per cwt.
Fittings, &c.	172 4 2	154 6 8	17 17 6		
Deposits	315 0 0	302 10 0	12 10 0		
Rents	114 0 0	65 0 0	49 0 0	..	Shop, 14 Manchester Road, paid in advance
Sundries	8 4 5	4 4 1*	4 0 4		
Total	£13,275 0 1	£13,296 2 5	£124 8 0	£145 10 1	

C = correct.

Date of Examination, 6th October 191

With this department taken as an example, the Audit Memo. and Report Sheet of any department may be designed; and, at the same time, this example (which is only submitted as a useful specimen, and not as a standard pattern) is sufficiently elastic to allow of all or any receipts, other than those specified, peculiar to any Corporation or department, being brought under notice. All the sources are given in full, and it is left to the chief financial officer to condense or expand the details specified as he thinks best.

These reports, neatly kept, are first submitted to the chief financial officer, at the completion of the audit, for his inspection, and instructions on any point arising. They may then be bound up at the year end, to be kept for reference; any item of a periodical nature, such as Rent, may thus be noted on the memo. form, and not overlooked when the next year comes round. The headings to the columns are self-explanatory, and the report has the merit of being practical, being at present in actual use.

The only column which may need an explanation, not having been previously spoken of, is the column headed "From other Departments." This is used as a record of inter-departmental transactions; if one department pays any sum to another department, the accounts clerk on the Treasury staff should always notify the Internal Auditor of such an item being passed for payment, and if the auditor at once enters the transaction on his memo. form he has a certain check on the receiving department accounting for the receipt of that item when the books come under his audit.

When the periodical visit to the department is made, the auditor will, with his list of books before him, call for their production. The books with which he will probably deal first will be all the receipt-check books used by that department;

these he will check into the Cash Account, which takes various forms in various towns, the Cash Account being entered up either directly from the receipts books, or through an intermediate summarising book, the totals only being carried into the general Cash Account.

Receipt-Check Books.

In checking receipts by means of Receipt-check books there are many rules to be followed which are of a general nature and applicable to Receipt-check books for all departments. These may here be stated, and applied constantly whenever the auditor deals with a Receipt-check book.

First, one should see that every receipt-check is consecutively machine-numbered, ensuring that none are torn out, missing, or left blank; any cancelled receipt-check must be replaced in the Receipt-check book.

It is wise to make it a rule that no alterations or additions shall be made to a receipt-check after once it has been made out. If any amendment is necessary, let the incorrect receipt be cancelled and replaced, and a new receipt given. Once let this be understood by all the departments, and a loophole for fraud is at once closed, for alterations to receipts are always unsatisfactory, especially where the correction reduces the amount of the receipt.

It is wise also to have fixed rules as to (*a*) whether a separate receipt shall be given for each class of transaction, or whether one receipt may serve for any number, otherwise the accounting officer may so manipulate his counterfoils or duplicates as to obtain possession of a blank receipt, which he may use without accounting for the amount thus acknowledged as received; and (*b*) whether in addition to receipts at the foot of cheques sent by firms in payment of accounts, an official receipt shall be attached.

This feature of modern trading by which official forms of receipt are taken at the foot of cheques, or on special voucher forms sent with the remittance, has grown so extensively that special attention must be paid to it from an audit point of view.

Usually all such remittances come by post, and the contents of the post-bag should therefore be recorded in a book such as the following pattern suggests :—

CITY OF.....

RATES DEPARTMENT.

REMITTANCES TO COLLECTORS PER CHIEF ASSISTANT OVERSEER.

.....Slip issued on the.....by.....Slip No.....

Consec. No.	Name of Payer	Received Hour	Received Per	Description	Amount £ s d	Notes	Transfer Hour	Transfer By	Transfer Recipient	Audit

Thus, if the post be dealt with by a responsible officer, all such remittances are covered, and may be traced by the auditor, but all letters handed in by messengers during the day should be opened not by assistants, but by a head officer at regular intervals, so as to ensure records being made in the Paper Remittances Book.

Cheques of this kind received by a collector on his rounds, however, are still to be traced, and for this purpose the auditor should keep a list of all firms, &c., whom he finds make their remittances in this way. If the office rule be that no official receipt is to be issued in such cases, and a receipt were missing as apparently issued to a firm on that list, inquiry will be necessary and the facts should be proved.

The safer rule is to annex to the remittance form sent by the payer the official receipt, in all cases, and not merely to sign the receipt at the foot of the cheque or on the special form.

In every case an item shown to be unpaid and owing by any reputable firm on the list of those who supply their own receipt-forms should at once raise a question, to be settled only by careful and judicious inquiry. The simplest occurrences of this nature often disclose laxity or disobedience of office rules.

Every bill rendered by each department of a local authority should bear at the head, in prominent type, a notice that official receipts are given, and only they are recognised as a discharge of the debt.

As each receipt-check is examined, it should be cancelled by a distinctive mark being made across its face, either in the form of initials, a tick, or a stamp. In any case, this mark should be of such a kind that each audit clerk can recognise his own, as distinguished from any mark of the accounting officer or the professional or Elective Auditors. The same rule would apply

to ticks or audit marks made in the Cash Account or intermediate books. It is a difficult matter to make a tick which is not liable to easy forgery, so that perhaps the most advisable method is to cancel a receipt-check by a large initial letter, not so easily imitated, being made across its face. In the books of account either a tick or a small initial will suffice. A useful suggestion by a Newport officer which, having been tried, can be commended, is that instead of a hand-written initial or tick, the auditor should use a lead type capital letter mounted on a pencil and inked by a pad. With an oddity in the shape of this letter, or a peculiar mark on it scarcely noticeable, a forged tick can very quickly be detected.

It is most advisable to have a distinctive tick or mark for any item in the books to which an alteration has been made before audit. This tick should differ only slightly from the ordinary tick, and yet should suffice for the auditor to tell at a glance whether a figure has been altered *before* or *after* his audit. Erasures and alterations in all books, especially Cash Books, should be forbidden, except by ruling out the old figure and inserting the new. This elementary rule is one of the most difficult to enforce.

Attention must not simply be confined to the Receipt-check books in use. Always call for the Check books in stock not yet brought into use; even if the stock be necessarily a large one, and each book cannot be separately examined, a general examination of the books will tend to ensure care on the part of the officer in charge, and an occasional detailed examination would serve to prevent temporary deficiencies remaining undiscovered, through convenient loans of receipt-checks being borrowed from the store cupboard

If in any department there are required to be large numbers of Receipt-check books, for differing purposes, kept in stock,

see that a Register of Receipt books received and in use is kept, and produced at each audit for examination. The auditor must start with the Receipt-check books, and trace each receipt right through till it reaches the chief financial officer or is paid in to the bank.

Tickets.

Wherever the method of check adopted in any department is by ticket, either by the railway ticket system, or by rolls or books of tickets, the audit calls for as much care as does the checking of Receipt-check books.

The ticket rack, or, as the case requires, the rolls of tickets, should be inspected at each visit, and compared with the previous day's Ticket Slip, any discrepancy being immediately investigated.

In checking a roll of tickets, look at the ticket on the inside of the roll as well as on the outside.

All tickets should, at the moment of issue, be defaced by being snipped, or dated, etc.

The Ticket Stock Book should always be called for, and periodically the whole stock checked, though at *every* visit the Stock Book should be examined, and the entries relating to tickets in the rack or in the rolls checked. Where the used tickets are collected, open the receptacle, and see that the used tickets deposited therein correspond with the numbers in the racks or roll. Where the use of differently-tinted tickets is prescribed for different days of the week, the rule should be closely observed, and this greatly assists the staff and the audit.

Additional checks on tickets applicable to special cases—such as Tramways, Baths, etc.—are mentioned at the pages devoted to the audit of such departments.

Turnstiles, Registers, &c.

Stiles and automatic registers should always be examined at each visit, and compared with the office record showing the registered number at the last time the takings were made up.

It has been said previously that stiles and registers should not be solely relied on as a means of check, if other additional means can be found. In theory nothing more need be required, but, to be practical, it must be at once said that, in practice, mechanical or automatic checks cannot be relied on for absolute accuracy. A Difference Book, recording "overs" and "shorts," according to the stile or register, is generally required to be kept, and where this is the case the book should be examined, and any extraordinary difference inquired into. There may be cases where the use of stiles is found to be a sufficient check, but such cases are the exception rather than the rule.

Such, then, are the rules for audit, which may be said to be of a general nature, applicable to the audit of any department, and which must be read as additional to the particular details of the procedure in each department hereafter described.

Summarising the Receipts.

The totals of the sums shown by these primary receipt-checks to have been received must then be traced to the accounting officer's Cash Account. Whether the amount of each receipt-check is entered separately in the Cash Account, or reaches that account through the medium of intermediate Analysis or Summary Books, depends, as has been said, on the size and general arrangements of the department. In either case, the next step is the verification of the fact that the totals from each department have reached the bank.

It is now generally recognised as desirable that an accounting officer should not keep a Cash Account which merges his receipts and payments into one book. This does not mean that the Cash Book is to be dispensed with, for this book is one of the chief books of account, but it is best that an officer who receives cash should be required to keep a separate record of his receipts and hand over all his takings, without making any deductions for sundry payments: these should be kept separately.

Each accounting officer should be provided with a Receipts and Deposits Account Book to record the particulars of the total sum he has received, and of his payments to the proper financial officer at the due dates, and if he has disbursements to make they should be made out of sums advanced to him for those purposes, and not out of moneys received.

A common form of Receipt and Deposit Book is now given.

RECEIPTS AND DEPOSITS ACCOUNT, from.....190.....to.....190.....

Dr. .....Department. .....Manager (&c.) *Cr.*

Date of Receipt	From whom received	Particulars of Receipt	Receipt Check No.	Summary Book Fo.	Analysis of Receipts	Total Receipts £ s d	Deposits with {Treasurer / Banker} Date	Cash Slip No.	Signature of Recipient	Amount £ s d

Note that all receipts are to be banked intact; all disbursements are to be made out of funds specially provided for that purpose.

This pattern provides for the particulars of the receipt-check being entered direct in the Cash Account, or being summarised in the various intermediate books as may be required in any particular case. As many analysis columns will be inserted as are necessary to collect the items into groups for entry in the General Cash Book of the department.

Care should be taken to obtain the chief accounting officer's signature to each page, thus removing all doubts as to the authenticity of the account, and, in the event of irregularities being discovered, preventing any plea of non-cognisance of the particulars of the entries.

Not only must all receipts be entered, and the amounts checked into the Cash Account, but the *dates* of the entries must be examined. By strict survey one should always ensure that the official in charge of the Cash Account is prompt in his entries, and that the book is not left till the month or week-end before entry. Especially should prompt entry be made where the officer is to pay over his receipts weekly or daily, for in this case efficiency is better obtained by requiring the weekly or daily totals to be paid in to the exact amount, and not by lump sums on account, the full amount of the receipts being made up at the month-end. Temporary deficiencies should be guarded against as carefully as total omissions to enter the actual receipts.

Banking the Receipts.

The regulation of the periods at which the accounting officer should pay over all moneys received by him is another matter for the chief financial officer to decide. In large undertakings —such as Tramways, Baths, Gas Works, &c.—the amount of receipts may be, and generally is, so great that daily payments to the chief financial officer or to bank are essential. With the

smaller undertakings, only the particular circumstances of each department can guide the chief financial officer in making his regulations, yet it must be pointed out that the more regularly the receipts are required to be paid in, the more is careful management and accounting secured. Moreover, the possibility of an accounting officer decamping with a day's or a week's receipts has always to be remembered, and common prudence suggests that the disastrous results of such an action will be in proportion to the amount of money left under the defaulter's control. There is, besides this, the chance of the premises in which the money is kept till banking time being broken into by burglars, and it is safe to say that there are better provisions at the bank for the safe keeping of cash, or even at the Financial Officer's Department, than at the majority of the scattered departments where the moneys are received.

It is usually found that perfection is as nearly as possible secured by requiring the departments whose daily receipts amount to £20 or more to pay over their receipts daily, and those whose weekly receipts amount to £5 or more to pay over weekly; in any case, not more than £5 should be allowed to accumulate at the smaller departments, without the chief financial officer being satisfied as to its safe keeping. This is, of course, a matter on which every chief financial officer is competent to advise, yet to students this statement of useful practical experience may be of some service.

At every department where moneys are received and paid over to the Bank or to the Treasury there should be a book of Credit Slips (signed by the receiving cashier) used to record the details of the cash paid over, and this book should be checked off with the credit entries in the Cash Account, noticing that both dates and amounts correspond. Whenever moneys are to be banked, the receipts right up to date should be banked and none kept in hand.

As a rule, it has been stated, receipts are to be paid over by the accounting officer in full, without any payments of any kind being deducted. An amount should always be advanced to such officers as may require it for petty disbursements, and a Petty Cash Account kept on the Imprest System; all other payments should be made by cheque. But whilst this arrangement is generally advisable, there are cases, notably in the Magistrate's Clerk's Department (*q.v.*), where the general practice differs, and where the net receipts, after paying witnesses, &c., are paid over.

The cash in the hands of the receiving clerks and collectors does not, as a rule, need to be checked where daily payments to the bank are made, especially if the change-money be advanced by the chief accounting officer, who remains responsible for the amount. The cash in hand should, of course, always be verified when the Balance Sheet is made up.

The practice of paying over the receipts of the accounting officer differs in many towns. Perhaps the designation of the chief financial officer is accountable for the greater part of these differences. In some towns the chief financial officer is given the statutory title of "Borough Treasurer" (Municipal Corporations Act, 1882, Section 18), the Corporation's bank account being kept at a local bank, just as an ordinary firm's current account, though possibly on special terms. In this case in smaller towns the probability is that the receipts from all departments are to be paid in at the Treasurer's Department, and after the entries have passed through his books the cashier or chief of the collection staff acting under the Treasurer pays everything to the account of the Corporation at the bank. On the contrary, the larger departments, such as Tramways, may even in small towns, with the necessary staff, deal entirely with their own cash and pay in direct to the bank, the Treasurer

still exercising supervision over all the cash arrangements. In large cities each department usually pays its cash receipts direct to the bank.

In other towns, both large and small, the chief financial officer is designated Accountant, and the statutory title of Treasurer is conferred on the manager of a local bank at which the Corporation's account is kept. The arguments for and against this arrangement are not to be debated here, for the subject—a very important one—will be found to be fully treated in the author's work on "The Organisation and Audit of Local Authorities' Accounts"; the practice is simply pointed out. Where the Treasurer is a bank manager, and not an active Corporation official, a common plan requires the departments to pay in their receipts to the Treasurer direct, without the cash passing through the accountant's hands; or, again, the accountant may have all the cash passing through his department and be Treasurer all but nominally. Sometimes, also, the Borough Collector and his department are independent either of the Treasurer or Accountant, and the cash is paid to him.

The practice thus varies greatly, but each student may apply to his own borough the principles herein stated. The important point is that whether the cash be paid to the Treasurer, to the Accountant, to the Collector, or to the Bank direct, the chief financial officer's regulations on all questions of finance should be paramount, and the whole of the receipts come under his audit.

Centralisation of Credit Sales Records.

The best and most general system (where the local authority is not too large for this purpose) is believed to be that by which the accounts for all *Credit* Sales are to be rendered and collected by the chief financial officer's staff, the receipt of

moneys for *Cash* Sales only being deputed to the departments. This must be borne in mind constantly during the ensuing description of the departmental audit where it is suggested that the departmental books, on which the chief financial officer relies for the particulars of his accounts rendered to debtors, should be checked at the outside department by the internal auditor. The Goods Outward Book and/or Day Books when sent to the chief financial officer's department, after being checked as far as possible by the internal auditor, would be posted to the Debtors' Ledgers of all descriptions.

The delivery tickets for credit sales must be traced through the Goods Outward Book to the Day Book, and to the debtor's account in the Debtors' Ledger. Any receipts for sums in payment of current accounts should be checked as credited to the debtor's account therein, and the list of old outstanding arrears checked at each visit, with any requisite recommendation.

Rents.

Wherever rents are received, the basis of check must be the Rent Roll, which must be in accordance with the minutes of the Committee who would authorise the preparation of the agreement, and should always bear the signature of the chief accounting officer. The debit entries in the Rents Ledger should be checked from the Rent Roll, and cash payments, as they are made, checked as being credited to the proper personal account.

Other charges to debtors for labour, &c., may for the present be considered as debited to the personal accounts in the Sundry Debtors Ledger from the time sheets and Wages Journal, and all the payments checked as credited to the correct personal accounts therein.

The diversity of the charges made for credit transactions renders it impossible to mention as generally applicable all the provisions to be made to ensure that all charges are debited which should be. The requirements of each department are better discussed separately.

Bad Debts.

Another subject of general application, which now may be considered, is the manner of dealing with Bad and Doubtful Debts.

The Collecting Department must first of all have made every effort to recover the amount due, and on this point the auditor should satisfy himself. A Collector's Inquiry Form, such as is reproduced below, has been found in practice to be of great use in tending to eliminate any doubt as to proper efforts having been made to collect the debt.

Ref. No. .....

(COUNTY) BOROUGH OF.....

Particulars of Claim recommended to be entered in Bad Debts Register.

PARTICULARS: (Rate, Gas, &c.) and period covered		Amount of Claim £ : :
Name and Description of Debtor		
Situation of Premises		

State fully nature of inquiries and by whom made.

Date of inquiry	PARTICULARS (To be continued on the back if necessary)	Initials
191		

Particulars of any previous excusals	

Signature of independent Inquiry Officer in verification .....

Approved.....

Borough Treasurer (or Accountant)

After collectors have failed to recover, all such legal proceedings should be taken as are possible, having regard to the chance of recovery by such process, and to the probability of "throwing good money after bad" by so doing. Whether each department is or is not required to institute its own legal proceedings, or whether all such matters are dealt with by the Town Clerk's or Finance Department, all possible and advisable proceedings at law must have been taken, and the chief financial officer or the chief of the department concerned (assuming there be a separate collecting staff for that department) personally satisfied of the impossibility of recovering the debt, before the amount is written off as irrecoverable.

There should be kept a Register of Bad Debts, etc., at the office of the chief financial officer, and in this Register must be entered all items considered as bad, all overcharges and credits, together with particulars of the debt, the reason for non-recovery or overcharge, &c. After a debt has once been entered in the appropriate Debtors' Ledger, no reduction of the amount of the charge should be allowed without the authority of some such entry in the Bad Debts Register, confirmed by resolution of the Finance Committee, or some authorised sub-committee thereof. Even after a debt has been confirmed as irrecoverable, the auditor should maintain, as far as he can, an oversight on the Collecting Department, and see that the collectors watch for the possible return of absconding debtors, and any other probable means of ultimate recovery, without the debt at once passing out of sight.

Closing the Work of Audit.

The whole of the receipts having now been traced into the accounting officer's Cash Account, and the outstanding accounts checked, the payments of all the receipts at their due dates to the official appointed for that duty should be verified. Then the additions of all books wherein the receipt-checks have been

entered, and all transfers to the accounting officer's general Cash Account should be checked. The signature of the officer to whom the payments have been made should be examined, and the due entry of all the accounting officer's deposits traced into the financial officer's books. The checking of the accuracy of the banking of the receipts to the correct Bank Accounts now demands attention.

Here again the disparities of existing practices prevent any statement being made applicable to every case. All depends on the method of keeping the accounts of the different undertakings at the bank, but, whatever may be the rule, the payment of all moneys must be traced, not only until they reach the bank, but also till they reach the *appropriate account* at the bank, if the banking accounts be divided. This subject is more fully discussed when dealing with the Collectors' Office (*q.v.*)

So far, attention has chiefly been called to the verification of clerical entries; but even if the entries from book to book are in perfect order, an auditor must not let that suffice, if an external check of any nature can be adopted in addition. He will find that fraud is quite as likely to take place by errors of omission, as well as by clerical mistakes or manipulations. He must constantly keep in view the fact that receipts, especially of an unusual nature, may never be entered at all, and must always have in his mind's eye the different methods by which it would be possible (even though improbable) to divert receipts at their source or in any other way defraud. Each department has to be dealt with according to its own particular conditions and requirements. Various opportunities of peculation are pointed out, in most cases, in the review of the audit of the different departments following.

Errors may be divided into two distinct parts, unintentional and wilful, and the auditor must use care in distinguishing

between the two. Clerical errors and omissions may occur without any real attempt at fraud, and although the auditor may often find it hard to distinguish between the two, if there should be any repetition of an apparently unintentional error he may find reason to believe that the error was not unintentional but wilful. He must use his own judgment, and not by reason only of a clerical error at once assume fraud.

Much may be done, in addition to the examination of the book entries themselves, by a careful comparison of the receipts for the period under audit with the corresponding period of the year previous. To revert to the Audit Memo. and Report Form at page , it will be observed that provision for comparisons is made therein. Any phenomenal increases or decreases will always call for explanation, while the more detailed the comparisons become, the closer will be the view of the differences, and the firmer becomes the auditor's grasp on the audit of the receipts of the undertaking as a whole.

Comparisons will not accomplish everything, but an auditor who fails to make use of the assistance proffered by them would certainly be found wanting.

To complete the Audit Report, therefore, fill in the returns for the comparative periods in such detail as affords most assistance without great labour. An Internal Auditor is then prepared to report to his chief the result of his investigations. If irregularities should be discovered, he should not wait till the whole of the audit of the department is complete, but report to the chief financial officer at once, who will not mind his train of thought being disturbed if probabilities of defalcations are imminent.

An Internal Auditor should never fail to report regularly on the result of each periodical audit, or to suggest to the chief any

well-thought-out scheme for improvement on existing arrangements. When at work at a departmental office the auditor should be vigilant, courteous, but firm, accepting no favours or perquisites, and when leaving the departmental office after each visit he might take a look round, and see that the notice to "Obtain official receipts for all payments" is in a prominent place at the cash counter.

"Tips" and Emoluments.

The duties of an Internal Auditor must include an examination of the possible sources of all revenues, whether brought into account or not, and it is as important that all classes of receipts should be discovered and brought into account as it is that all receipts in any class should be properly entered in the books and paid over.

What then is to be the attitude of the auditor if he discovers that receipts coming into the hands of Corporation officers or servants for services rendered during official time, or even out of official hours, for benefits received by the donor of the fee which only the expenditure of public money has made possible, are (and often have been for years) regarded as personal rewards, or perquisites?

Frequently these receipts are taken without the knowledge of the head of the department; rarely are they within the knowledge of the proper Committee, or the Council.

It is, in the author's opinion, clearly the duty of the auditor to ask for official instructions as to his powers or liabilities in these cases. Without doubt, speaking from experience, many Corporations could with advantage request each Committee to inquire into the practices of each department, so as to ascertain what, if any, receipts of this kind are taken which are not paid over in relief of the public expenditure. It is not merely the

charitable Christmas tip, so beloved of the dustman, which is indicated as a system calling for inquiry; it is the regular practice or systematic departmental custom which is questioned.

For consideration take a few illustrative cases (selected from those observed during audit inquiries) of receipts sometimes considered as "tips" or emoluments, and not paid over to the credit of a local authority's revenues:—

(1) Rewards for recovery of lost property found by Corporation servants on duty.

(2) Custody of keys at police stations.

(3) Assistance in arrest of defaulters.

(4) Grants for services of brigade at fires.

(5) Fees for inspection or copies of official records, such as Rate Books, Minutes, Plans of Property, Deeds, &c.

(6) Charges for collection of trade refuse.

(7) Pickings of refuse tips—paid for by pickers.

(8) By-products of refuse destructors—*e.g.*, metals, shells, oily waste, &c.

(9) Improvements to footways in front of private premises.

(10) Concession of privileges, such as motor crossings or footpaths, overhanging trade signs, basement lights, and the like.

(11) Visitors' donations to attendants at hospitals, sewage farms, &c.

(12) Gratuities for inspecting meters or improving lighting arrangements.

(13) Sweeping street crossings leading to shopping premises—paid by traders.

(14) Copies of official reports on subjects of interest to willing donors of gratuities.

(15) Expert advice given by officials to ratepayers in their private affairs.

(16) Fees paid by articled students and clerks.

(17) Warnings to offenders against bye-laws and regulations.

(18) Casual use of the local authority's property.

(19) Conveyance of private owners' goods in Corporation vehicles.

(20) "Waste" in all departments, *e.g.*, paper, manure, victuals, old clothing, and materials of all kinds.

There are many others which could be added, but sufficient evidence has been adduced to indicate that the system of "tipping" may prevail, without official knowledge or detection, thus diverting income which may be due to the local authority.

As regards the emoluments of officers, they are sometimes specially permitted by the terms of their appointment. In other cases, however, they are either forbidden or not known of.

Attention may be directed to the fact that none of these tips or emoluments may be regarded as "bribes." They are not given to induce any officer in the local authority's service to secure for the donors orders or business. They cannot be termed corrupt, or even considered vicious. They represent merely a return by persons benefited for the services or benefits they have received, and the whole and only point raised is,

"Are these receipts earned by the expenditure of time or materials for which the community has paid?" If they are, then it may be argued that one of two things follows—either the community, and each individual comprising it, is entitled to the services or benefits free, and the receipt of tips by officers or servants should be entirely prohibited; or, alternatively, that the fees, when payable, should be paid over to the communal funds towards the expenditure.

This question of policy is one for the Town Council to decide, but it is the auditor's duty, in proper cases, to raise it, to ask for instructions, and carry out his audit to accord with the decision of the Council.

CHAPTER V.

THE AUDIT.—DEPARTMENTAL.

THE DEPARTMENTS.

CLASSIFICATION.

To classify the departments satisfactorily so as to meet the requirements of individual students is a difficult task, as there is great diversity not only in the number and constitution of the departments necessitated by the work of the different Corporations, but also in the duties allotted to those departments.

The most common instance of this differentiation is that of the collection of the revenues from gas, electric light, water, rentals and rates. In some boroughs the collection of all these items of revenue is entrusted to the staff under the supervision of the Borough Treasurer or Accountant (who is in these pages designated the Financial Officer). In others, the head of the respective departments is given charge of the collection of the revenues appertaining thereto, the financial officer's supervision being of a general nature only, with or without the subjection of the departments' books to the audit of the financial officer's own audit staff.

These and many other differences have called for careful consideration to ensure a manner of classification being adopted which would fulfil the needs of audit clerks in general and students for examinations in particular.

In preparing the copy for the first edition of this work, the difficulty of classification of departments was felt to be very great, but after a detailed analysis and comparison of the annual abstracts of accounts of most of the principal municipalities in the Kingdom, a basis of classification was fixed upon, and the resultant structure set forth in the first issue, which, it was thought, would overcome the difficulty, and, by the free use of the index, enable a seeker to obtain his particular requirement. Judging from the experiences of auditors and students as related to the author, the classification served its purpose sufficiently well, and no material alterations have been made in this issue, though provision has necessarily had to be made to include later and newer phases of municipal activities which are rapidly extending each year.

DEPARTMENT No. 1.

THE FINANCE DEPARTMENT.

(a) RATE COLLECTION.

The basis of the check on rate collection is the Rate Book, which contains the names of those persons who collectively constitute the Corporation. It is kept in a recognised form, which does not at this juncture need to be entered into, as the auditor has only to perform his duties on the book as entered up. Suffice it to say that it is simply a columnar Ledger, showing the amount of rates due from each ratepayer, and in various columns the amounts collected or owing; it is the audit of this collection alone which is here considered, the Rate Book being a worthy subject for a volume to itself.

Provincial Rating Provisions.

In the provinces the Rate Book is (speaking of General District Rate only), as to the names, &c., of the ratepayers and the amounts of the "gross estimated rental" and the "net

annual value " on which rates are paid, a copy of the Valuation List in force for the time being, or, in the event of there being no such separate list, on the Valuation List for the relief of the Poor last made before the making of the General District Rate. By an inspection of Section 211 of the Public Health Act, 1875, it will be seen that the General District Rate is leviable on occupiers of property assessable to Poor Rate, or, in the following cases, on the *owner* of such property at the option of the urban authority :—

(*a*) Where the rateable value does not exceed £10.

(*b*) Where premises are let to weekly or monthly tenants.

(*c*) Where premises are let in separate apartments.

(*d*) Where rents are payable or are collected at shorter periods than quarterly.

If in such cases the owner is rated instead of the occupier, he is to be assessed at a reduced estimate, being not more than four-fifths nor less than two-thirds of the net annual value, as the urban authority decide. If, also, an owner thus rated agrees with the urban authority to be assessed in respect of his property, whether it be occupied or unoccupied, the assessment may be made on one-half the amount at which the property would be liable to be rated if the same were occupied and the rate was levied on the occupiers.

The owners of lands used as arable, meadow, or pasture ground, and various other classes of property, are only to be rated at one-fourth of the net annual value.

Rates are payable only for the time of occupation of the property during the period of the rate—that is, from the date of the making of the rate to the date to which the rate runs, the rates being apportioned in the proportion the time of occupation bears to the period of the rate.

An urban authority is empowered to divide its district into parts, and levy rates for the different districts.

An important part of the audit of the Poor Rate collection is the proof of the accuracy of the sum allowed off the rates as discounts to owners of small tenement property, who pay rates on the properties which they own instead of the usual rule by which all tenants pay rates, and not the owners.

This allowance is authorised by the Poor Rate Assessment and Collection Act, 1869, which provides :—

Section 3.—That if the owner of any hereditament of a rateable value not exceeding £8 generally (but in London £20, Liverpool £13, Manchester and Birmingham £10) is willing to enter into an agreement with the Overseers to pay the rates on that hereditament for at least one year, whether it is occupied or not, the Overseers may, subject to the control of the Vestry or the local Council (as the case may be) agree with the owner to receive the rates from him, and allow him a discount not exceeding 25 per cent. thereof.

These agreements need not be made with all owners of small tenements, and need not extend to all the small tenements of any owner or owners ; the Overseers have the option of accepting some and excluding others, subject to direct instructions to the contrary from the Vestry, or the local Council where they have displaced the Vestry.

For small tenement properties comprising dwelling-houses different provisions apply ; where Section 3 is in force alone, all properties within the rateable value limits mentioned may be treated alike, dwelling-houses and other hereditaments, and in this case all the allowances are within the option of the Overseers. Where, however, Section 4 applies, it can only apply to dwelling-houses, and the Overseers make an *order*,

which the owners are bound to observe, to compel the owners to pay the rates on those properties; the owners are entitled thereby to 15 per cent. allowance, but if beyond that, an owner gives notice in writing that he is willing to be rated for one year at least for all his properties, whether they be occupied or not, then the Overseers may give him a further allowance or discount not exceeding 15 per cent., making 30 per cent. in all, as the maximum.

If the owner does not pay before June 5th those rates which became due prior to the preceding January 5th, he forfeits the discount or commission; and where he fails to pay at all, the tenant must pay.

Of these, and all the other provisions as to rating and the collection thereof, both Metropolitan and Provincial, the auditor must make himself fully cognisant.

In studying the description of the actual procedure of the rates collection, the student should place alongside these pages his notes on the legal provisions by which the making and collection of the rate are governed. These provisions would not find a fitting place if reproduced here, as they are of far too great importance to be dealt with as part only of a description of an audit.

Along with the General District Rate may be grouped the Private Improvement Rate, the Highway, and other rates authorised by the Public Health Acts. In many towns, too, special rates are levied by local Acts of Parliament, which need to be studied before an audit of those rates may be undertaken successfully. The collection of each separate rate may not materially differ, if the allowances or deductions from the rate be excepted.

Borough rates are generally levied by precept on the Overseers, and collected along with, and as part of, the Poor Rate.

Consolidated Rates Collection.

In some few municipalities special powers have been obtained, whereby the levying and collection of all the local rates within the area of the municipality have been consolidated, one form of Rate Book and one form of Demand Note only being required. The technicalities involved in the levying and collection of such a consolidated rate demand a study of a legal rather than of an accountancy nature; for all practical accountancy purposes the principles applied to an audit of the rates *collection* do not differ, whether the officers of the municipality collect a consolidated rate, or a Public Health, or other kindred rates only. The collection of the Poor Rate portion of the consolidated rate is always subject to audit half-yearly by an auditor appointed by the Local Government Board, but this does not, of course, preclude a staff or internal auditor from carrying out a continuous audit.

Audit Procedure—Provincial.

After having read carefully the copy of the estimates written in the Rate Book, as a guide to the total amount of rate to be collected, the check is commenced by verifying the total amount of the rate to be collected. This may be done in total by checking the total amount of rateable value shown in the summary of the Rate Books with the amount of the signed Valuation Lists, a statement showing the balances being attached in proof of the accuracy of the totals. Check the reductions to one-fourth of the Poor Rate valuation for agricultural lands, &c., paying General District Rate, or rates other than Poor Rates.

On this amount of rateable value, work out the total sum of the rates to be collected at the amount of rate in the £ voted

by the Council, whether the rates be yearly or half-yearly. Check this amount of rate in the £ by the Minutes themselves, especially if a municipal borough includes several townships, or parts thereof, at varying rates; if necessary, verify by a perusal of the several estimates.

Before concluding the verification of sums due, the auditor should check off each item of arrears of rates brought forward from the last rate, or the last balancing, as well as check the totals of such arrears.

Metropolitan Rating Provisions.

The legal provisions by which the assessment, the levying, and collection of local rates within the administrative county of London (exclusive of the city of London) are governed, will be found contained for the most part in the Valuation (Metropolis) Act, 1869 (32 & 33 Vict., c. 67). This Act, along with the London Government Act, 1899 (62 & 63 Vict., c. 14), and the London (Rating) Scheme of 1901, should be studied, and the rating provisions grasped, before the incidence of metropolitan rating can be understood. Much valuable information would be afforded by a careful perusal of the Report of the Royal Commission on Local Taxation, 1899.

The salient features of these provisions as regards the Metropolis are that only one rate—a General Rate—is levied to provide for all the expenses of the local authorities, including each borough council (established under the Act of 1899). This General Rate and the Poor Rate are assessed, levied, and collected together, by the borough council, as one rate, termed the General Rate, and all the enactments applicable to the Poor Rate are, except as regards the audit thereof, to apply to the General Rate (*vide* Section 10, Subsection 2). For this purpose other governing bodies (*e.g.*, Boards of Guardians, London County Council, Metropolitan Police) obtain their requirements by precept on the borough council.

One demand note only, in form approved by the Local Government Board, is to be served, and is to contain certain particulars.

A conspicuous section is that numbered 14, which provides for an audit of the accounts of every metropolitan borough by an auditor appointed by the Local Government Board.

Special provisions are made for quinquennial valuations by an Assessment Committee appointed by the borough council (acting in unison with the Surveyor of Taxes), and for annual supplemental Valuation Lists; special allowances (which are "not to be exceeded," but which are usually allowed in full) from the gross estimated rental, to arrive at the net annual value, are made, whilst agricultural land is to be rated at one-half the net annual value. Provisional Valuation Lists are made as required. These, the outlines of the provisions only, must be filled in by the student after he has studied the details in the legal text-books.

Audit Procedure—Metropolitan.

The auditor's first duty is to check the rateable value as shown in the Rate Books.

He may prove this amount by first checking the totals as copied into the Rate Book from the quinquennial Valuation List, taking into account all supplemental Valuation Lists at the time of levying existent, and any provisional Valuation Lists as they are made.

If, however, a Reconciliation Account be provided by the rating clerk, the auditor will find his work much simplified. He may then check or test the arithmetical accuracy of the statutory deductions from gross to rateable value in the special cases.

Having thus proved in total the amount on which the rates are to be levied, the auditor can proceed by examination of the estimates, and the rates in the £, whether for half-yearly or yearly periods (verified by the Minutes of the council), to check the total of the amount of the rate to be collected, adding thereto the arrears of the last rate brought forward; and from thence the audit of the collection may proceed, with due regard to the peculiar rating provisions of the metropolitan area, in the same manner as the provincial rate collection hereafter described.

A point to which the auditor's attention must be specially called is the receipt by a metropolitan borough council of a contribution under the provisions of the London (Equalisation of Rates) Act, 1894, administered by the London County Council. The amount of this contribution may be verified by the statements issued by the London County Council.

Audit Procedure—General.

The Collection.

To check the collection two separate systems may be adopted: first, to check daily the postings of the manifold or other receipt-checks to the Collectors' Cash Accounts, and from thence to the Rate Books; second, to verify only in total the fact that all the receipts are accounted for, by checking the manifold receipt-checks to the Collectors' Cash Books, and proving the posting of these accounts *in total* with the credit side of the Rate Books. All depends on the number of the staff available for audit purposes, and the chief financial officer's own discretion; but it is submitted that no audit can be regarded as complete which does not include the checking of all manifold receipt-checks with the Collectors' Cash Accounts, whether the postings to the Rate Book are checked in detail or not. Undoubtedly the safer plan is to check the postings in

detail, as by that system only can the list of unpaid rates, referred to later, be taken as absolutely accurate, occasional postings to a wrong number of assessment being quite possible. In any case, a collector should never be allowed to post to the Rate Book, and the posting clerks should be moved about from book to book, and not be allowed to post the collections from one ward or district during a whole collection.

An item of collection that should be separately stated is the contribution received from the Government in lieu of rates on Government properties, such as the Post Office.

The debit and credit entries of these amounts should be checked by means of the departmental letter received from the Government office, as the amount of the assessment and the corresponding amount of rate are fixed by the Government themselves, there being no compulsion to pay on such a net annual value as the urban authority consider to be just.

Contributions by the Government under the provisions of the Agricultural Rates Act, 1896, come within the same category.

In any case, the total amount shown to have been received should be checked by the books as accounted for, the additions of all the Collectors' Cash Accounts (whether in separate books or on the counterfoils of the receipts issued) must be verified, and the Rate Book Collection columns proved. The General Ledger postings may be also checked periodically with the amounts received and paid to the bank as shown by the General Cash Book.

The amounts outstanding now call for attention. The amount of the rate to be collected being a given sum, by deducting the amount shown to have been received one may arrive at

the amount apparently uncollected, and here a check can also be maintained indirectly on the amounts *actually* collected, for every outstanding item, other than reductions on appeal and discounts to owners, is, after a given time, to be entered on a list and analysed. The amounts of rates reduced on appeal to the Assessment Committee should be checked off into the Rate Books by the appeal lists, duly signed by the Chairman of the Committee at which the appeals were allowed.

The conditions under which owners of property may be rated to the Poor Rate and the General District Rate, and thereby receive certain discounts or allowances from the rate, have already been explained, but it is important to see, both on the Poor Rate Collection and the District Rate Collection, that these discounts are properly authorised by the Overseers and the Town Council. In every case of allowance made on the Poor Rate, there should be an agreement produced, made between the owner and the Overseers who are responsible for the collection of the rate, and no allowance should be made except by virtue of such an agreement. In checking these agreements with the Rate Books it should be remembered that agreements under Section 3 of the Poor Rate Assessment and Collection Act of 1869 can only be operative (where Section 4 is in force) as regards hereditaments other than dwelling-houses, and that in these cases the maximum allowance is 25 per cent. of the rate, whereas under Section 4 the allowance may be 30 per cent. Agreements under Section 3 should be of a different colour from those under Section 4.

Where owners agree to pay, whether premises are occupied or not, no allowance for empties is to be made, and only property rented at £10 or under is to be included therein. Every amount of discount shown to have been allowed should be checked as to its arithmetical accuracy, or at least test cases made.

These lists of uncollected amounts of rates should now be submitted to the chief financial officer analysed to show :—

(*a*) Loss from unoccupied property.

(*b*) Excused, remitted, or otherwise irrecoverable.

(*c*) Recoverable arrears.

Dealing first with (*a*), it is a good rule never to allow collectors on their rounds to apportion a rate, and to give a receipt for the amount of the apportionment without immediate supervision by the head office. Such an arrangement leaves wide scope for peculation, as losses from unoccupied property are difficult to check, and in the event of the person thus paying an apportionment leaving the town, no check on the amount thus paid is possible. A useful practice is that by which an outside collector is provided with forms, such as the sample here reproduced, for obtaining particulars of the dates and periods of occupation, and for report to the head office of all transactions affecting the sum due from any ratepayer.

CITY OF.....

RATE COLLECTION.

COLLECTOR'S REPORT FORM.

RATES DEPARTMENT. .....191 Assessment No.....	(District Stamp.)

NOTICE OF CHANGE at.....

OLD PARTICULARS.	NEW PARTICULARS (Full Names).
1. Name of Occupier:.....	..... Age if over 60
2. Occupation..... (Where £20 and over)	(If a lady, state if married, widow, or spinster)
3. New Address.....	Old Address.....
4. Name and Address of Owner (only where changed)	
5. Name and Address of Agent (only where changed)	
6. Rent £ : Terms.....	Rent £ : Terms.....
7. Rates {due / paid Poor £ Dist. £	Rates {due / paid Poor £ Dist. £
8. Date of leaving.....	Date of entry.....
9. State if Sale, and, if so, their own, distress, or removal.....	
10. If Removal, who removed furniture.....	
11. Auctioneer's Name & Address.....	

12. Re-valuation required because of .....
13. Other Remarks.....
.....

OFFICE RECORDS.	Initials.
(a) Rate Book altered: Ref.....Registration effected.....by	.....
(b) Valuation Dept. notified: Consec. No. of 191.... Date.....by	.....
(c) Collection records: Ref....: Defaulters' Book Ref....examined by	.....
(d) Audit: examined.....approved.....listed.....by	.....

The amount of the rate is then apportioned, according to the particulars thus ascertained, at the cashier's office, and, where the local collector is not allowed to apportion, another collector is sent to the new place of abode, preferably the collector in whose district the ratepayer has taken up his residence, or the account may be sent on by post to the new address. If the ratepayer be leaving the town, a collector should, of course, be sent to recover the apportioned amount at once.

By this means the responsibility for the allowance of the rate in respect of unoccupied premises is distributed between at least two officials. There is no legal compulsion either on the owners or occupiers to supply signed statements as to periods when property was unoccupied, and the only check is to produce as much external evidence as possible—such as an advertisement in the "To Let" column of the newspapers, comparison with Gas, Electric Light, and Water Rental Ledgers, &c.—and to distribute the responsibility. Apportionments, even where made by a collector, should always be checked at the Head Office.

A collector should be made fully cognisant of the law regarding the constitution of beneficial occupation, otherwise he may report premises as unoccupied on which, at law, the rate is recoverable.

(*b*) Rates must only be excused by the proper Committee for poverty on the recommendation of the chief financial officer himself, and the list of excusals should only be accepted when bearing his signature, attesting his satisfaction on the merits of the case by the report of his own independent inquiry officer.

Unpaid rates may often be recovered from persons who have left the town, on application to the rate collectors of the town to which they have gone, or by inquiries among friends and relatives.

Rates may be altogether lost, and have become irrecoverable for various reasons, but principally by the persons rated having been adjudged bankrupt without there being sufficient to pay even rates (which, under the Preferential Payments in Bankruptcy Act, 1897, are preferential in the distribution of assets), or by defaulters absconding. In either of these eventualities, the Collector's Report Form previously recommended will prove of service.

In addition to this, a Register of Defaulters should be kept, in which may be collected the particulars of all sales by auction, distress warrants for rent, &c., all bankruptcies or compositions with creditors, together with cuttings from any newspapers and Official Receivers' circulars in support thereof.

Any items thus, or in any other manner, proved to the chief financial officer and the proper Committee, with their local knowledge, to be bad debts, may be entered in the Bad Debts and Allowances Register, and, by resolution, written off.

(*c*) The recoverable arrears out of this draft list should all have an explanation attached to them, and should be a steadily decreasing quantity, though it must be said that if there is any chance of ultimate recovery it is safer to include an item in the "Recoverable" list rather than the "Irrecoverable," as otherwise the amount of the arrears is more likely to be put out of sight and out of mind. This list is but a draft one for the chief financial officer's inspection and instructions. Much more is to be done before the list is ready for entry in the Rate Books, as the legal machinery for the recovery of outstanding amounts has yet to be put in motion.

Rates Paid to Police.

Section 256 of the Public Health Act, 1875, provides the remedies for recovery of the rates by summons before a Court of summary jurisdiction as follows:—

"If any person assessed to any rate made under this Act by any urban authority fails to pay the same when due and for the space of fourteen days after the same has been lawfully demanded in writing, or if any person quits, or is about to quit, any premises without payment of any such rate then due from him in respect of such premises, and refuses to pay the same after lawful demand thereof in writing, any justice may summon the defaulter to appear before a Court of summary jurisdiction to show cause why the rate in arrear should not be paid, and if the defaulter fails to appear, or if no sufficient reason for non-payment is shown, the Court may make an order for payment of the same, and in default of compliance with such order may by warrant cause the same to be levied by distress of the goods and chattels of the defaulter."

The costs of the levy of arrears of any rate may be included in the warrant for such levy.

The actual procedure in such case of non-payment is for all possible steps to be taken for the recovery of the rate before legal proceedings are instituted, the time allowance being rarely restricted to fourteen days. As much time as possible is allowed, excepting in specially urgent cases.

The process by which the legal powers of prosecution for arrears of rates are utilised differs widely. In some towns, each collector completes the cases of arrears by carrying out all the Police Court proceedings; in others, a special officer in the Rates Department does the work, but in most places the Police Department takes up summons cases.

Where such a practice prevails, the complaint that rates are in arrear is first forwarded to the clerk to the justices, who lays the complaint before a Justice of the Peace. The summons is thereupon served by the police; after due notice the case is

heard before two justices or a stipendiary, and, if necessary, orders to pay are then made, non-compliance with which renders the defaulter liable to distress being levied on his goods. Any text-book on rating will explain the legal process in detail.

During the carrying out of these provisions, however, the defaulter may pay to the police the amount due, and at this stage the auditor takes up his work.

At the collectors' office should be kept a Register of Summonses, showing the number of assessment, name and address of ratepayer, date of demand, memo. of amount of rates (adding arrears, if any), and also the additional costs of summonses, service, hearing, warrant, and any other costs, on the debit side. The credit side is practically a facsimile of the Rate Book, provision being made for the entry of amounts of costs *only* (not rates) received at the periodical balancings, with allowances, reasons for non-recovery, &c. This Register of Summonses provides the debits to the various defaulters for costs of proceedings, which are chargeable to them, these costs not being entered in the Rate Book. As the rates and costs are paid, the rate is posted to the credit side of the Rate Book, whilst the costs are posted to the credit side of the defaulter's account in this Register of Summonses.

At the police station or summoning office a Register should be kept of all summonses received through the magistrates' clerk, and served, and of all distress warrants issued. In addition to this, for all amounts received both at the magistrates' clerk's office and the police station, there should be receipts given from a manifold carbon copy Receipt-check Book. All these receipts should be entered in a Cash Book, added, and balanced, and the receipts paid over to the magistrates' clerk, or to the rate collector direct. Periodically these receipts are posted to the credit side of the Register of Summonses at the Rate Office.

By this means, taking the primary lists of unpaid rates as a basis, the items will have further resolved themselves into (*a*) rates paid, or satisfied by proceeds of distress; (*b*) rates irrecoverable, either from there being no effects, or the police being unable to trace; and (*c*) rates recoverable carried forward. Amongst the rates returned by the police as "Irrecoverable, no goods," there may often be cases where the property is rated in one person's name and the house tenanted in another person's name. It is advisable in extreme cases, where oftentimes this is a plan to avoid rates, to proceed to obtain an order for commitment, as provided by 42 & 43 Vict., c. 49, Sections 6 and 35. Experience has proved that such procedure generally overcomes cases of deliberate intention to avoid payment of rates entirely.

It is important, too, that the auditor should have a good knowledge of the law regarding bankruptcies, receiverships, liquidation of companies, and trustees under settlements, which he can obtain from legal text-books, to enable him to see that no rates are lost for lack of use of the powers possessed.

The counterfoils of the Receipt-check Books for summons cases should be called over to the Cash Account, the additions checked, and the periodical paying over of the moneys received verified by the Credit Slips Book and the magistrates' clerk's books, to whom the moneys are often first paid, afterwards being paid over at the Rates Office. The rates should then be checked off by the Unpaid Rates Statement, and the postings of the rates to the Rate Book, and the costs to the Register of Summonses at the Rates Office, verified both in total and in detail.

The returns of Rates still Unpaid, Irrecoverable, and Recoverable, should be submitted to the chief financial officer, and the same procedure as to writing off adopted as has already been described.

The final closing of the collection of the rate by the writing off of all irrecoverable sums, and the carrying forward of all recoverable sums, remains to be supervised.

Every item written off as irrecoverable should be the subject of inquiry by another officer, and not dealt with by the collector only. In the largest offices quite commonly the chief collector first checks the lost sums, and then the audit staff separately investigate. Each item, too, should be brought to the attention of the Committee in charge.

Lastly, the figures showing the final results of the collection of the rates, along with comparisons of the collection of previous rates levied, should be submitted to the chief financial officer for his consideration.

THE FINANCE DEPARTMENT.

(*b*) GAS, ELECTRICITY, AND WATER RENTALS, AND OTHER REVENUES.

The Rental Ledgers are the principal books used to record income from these sources, an account for each consumer being kept in columnar form. Separate Rental Ledgers will generally be kept for each department, but frequently Water Rates will be recorded in the ordinary Rate Books, with the Poor Rate and/or District Rates.

Before the audit of collection of the amounts accrued due can be undertaken, the correctness of the debit entries must be tested. Check all arrears brought forward from the last account, in detail as well as in total. Call for the meter-state registers, or cards, which are often used nowadays, and see that they are fully made up, added, and balanced. The debit side of the Gas and Electricity Rentals Ledger, and such portion

of the income from water rents as is charged by meter, should be a copy of the entries in the meter-state registers. These registers are kept at the works of the different undertakings, as a rule, and are sent up to the Rentals Office at intervals, as required, to provide the particulars of the charges. There is a growing tendency, however, for the inspection of the meters to record the charges due from consumers to be done by officers directly responsible to the chief financial officer, and not to the works engineers. This is a sound principle, but regard should be had to the facts of each case, and no general rule will apply. The total consumption, as shown by the additions of the Registers' summaries, should agree with the total of the corresponding columns of the Rental Ledger, but it is necessary to test cases of sample meter-states, not only by calling over some meter indices, but by examining the meter. Any special charges for gas, electricity, or water consumed at fixed charges per agreement should be checked with the Register of Contracts, and the prices verified by a perusal of the contract itself. If there are sales in huge quantities by meter on special terms, check the meter-states relating thereto, as shown in the Meter Books, and again send a special assistant, occasionally, to check a meter-state.

In this question of meter records, it is often assumed that there is no need to visit a meter for test purposes, as the meter inspector has no chance of diverting revenue. One has found an inspector filling in meter records in his books which he had not visited—a theft of time, if not of money.

Where the water charge is based only on the rateable value of property, there is an additional difficulty to be overcome when balancing in total with the Valuation Lists, in that there may be property on which rates are payable to which there may be no water supply, and *vice versâ*, as in the case of charitable institutions, which may not be rated.

If these differences be many, the only check absolutely accurate would perhaps be by checking off each debit entry with the Register of Services and the Valuation Lists; but as this would in some cases be an immense task, it would probably suffice to check as far as possible in total by means of a Reconciliation Account, and by having columns printed in the Consumers' Ledgers, by means of which the total number of consumers could be proved by the marked Valuation Lists. In many boroughs charges for water will be made both by water rates and rents, as per meter, so that both means of check will be needed—*i.e.*, by Meter-state Registers and the Valuation Lists. Wherever water rates are levied, the Consumers' Ledgers must contain provisions for supplemental Valuation Lists, reductions on appeal, &c., being incorporated therein. They should all be checked in detail as well as in total.

There is a real danger of properties supplied with water being left off the roll, there being no meter to examine periodically, and every auditor should test the records at every visit, to see if out-of-the-way properties which he sees at any time are entered and charged. Omissions have sometimes remained for years undetected.

Any charges for rents of meters should be checked by the Register of hired meters, and vouched by the chief of the department responsible therefor. If any agreements be entered into for the hiring, verify by means of the copies of the agreements that the correct charges are made. Where a municipality makes it a rule to charge for rentals of meters, any omissions to charge would need to be inquired into.

In all cases the prices charged for gas, electricity, and water consumed should be checked by the Minutes of the Committee at the rates there authorised, whether for domestic supply, trade supply, or special supplies under contract. Whatever different

rates are charged for different districts, verify the price in each district by the Minutes or the Agreements, if any, with the authorities of the district supplied.

Special charges, or varying charges, according to the supply taken, or in differentially charged areas, should always be shown in separate columns, and separately balanced.

Inter-departmental transactions—such as charges for lighting public lamps, tramway traction power, &c.—can always be checked by the accounts paid by the departments charged, after having been attested by the head of the department.

Any additional debit entries in the Rental Ledgers, such as Rentals of installation of the lighting service, should always be traced from their source—the hiring agreement and the Register relating thereto. Where an agreement is entered into with electrical and other firms to supply services of gas, electricity, or water on rental terms, call for the agreements and the copy returns to those firms for payments of rentals made by the municipality to them, to compare with the sums paid over.

Where charges for other supplies, *e.g.*, coke, fittings, special attendances, and the like, are included in the Rental Ledger, they should appear in separate columns, and be proved by the Day Books or other primary records.

The total of the debit entries of the Rental Ledgers having been checked, the audit of the collection of the charges now calls for attention.

The use of Receipt-check Books, regulated as has been described in Chapter III, is, of course, essential. Parenthetically it may be stated that there is often in the Collectors' Office a general form of Receipt-check Book in use to cover receipts from all sources, other than rates (which have to follow

a legal form), and perhaps deposits for various items, such as are taken from gas, electricity, and water consumers, as security for the payment of accounts, &c.

Whether a special form of receipt-check be used for each purpose, or a general form be in operation, the duplicates of the carbon copy receipt-check books should for a complete audit be called over with the collectors' cash accounts, the entry in the correct columns therein verified, and the postings to the separate ledgers checked off. Either of the two methods of check already described in the audit of rates collection may be adopted—viz., (*a*) a check in total, by agreeing the total of amounts shown to have been received as per the appropriate columns in the summaries of the Collectors' Cash Books, with the totals posted to the credit of consumers in the Rental Ledgers; and/or (*b*) a check in detail, each receipt being traced from its source to its true destination in the Rentals Ledger Wherever discounts are allowed for the more prompt payment of accounts, the detailed audit is far more satisfactory, as, after a certain date, no discount allowances would be passed, whereas a check in total only might overlook an error in this respect. As a general rule, in the audit of this or any other source of revenue to be hereafter described, wherever discount is allowed, a detailed audit of the receipts and the postings is the most satisfactory. A useful practice is to have a separate credit column in which to post all sums received after the discount day has expired. In any case, the duplicates of the receipt-check books must be called over into the collectors' cash account, the cash account additions checked, and the money traced through the chief cashier's books until it reaches the bank. Whether receipts are verified in total or in detail, the list of unpaid accounts should be periodically abstracted, and submitted to the chief financial officer, along with the collectors' reports and recommendations. All items written off as irrecoverable should be vouched by more than one officer, and

have their authenticity, founded on their entry in the Bad Debts Register, duly approved by the chief financial officer. Bad debts should only be written off by the appropriate Committee on his recommendation, as has already been stated. All external evidence—such as newspaper cuttings, notices of dividend in bankruptcy, &c.—should, as has been shown when dealing with the rates collection, be bound together and produced in support of the entries.

Insistence on the chief financial officer's supervision over all arrears and outstanding amounts is the best safeguard against items being written off as irrecoverable which have been paid and not accounted for, and in many boroughs this oversight is exercised by an independent inquiry officer on the chief financial officer's own staff making inquiries into most of the cases for the better guidance of the chief officer. Arrears for long periods should never be allowed to be run up by consumers of gas, electricity, and water, as if the arrears be existent for any length of time the service should, after short notice and consequent non-payment, be cut off, the supply not being renewed until payment both of the arrears and the charge for re-connection has been made. The "cut-off notice" book should be kept in the form of a manifold carbon copy book, and the duplicates tested periodically with abnormal cases of arrears.

Legal proceedings should always be taken where there is any chance of recovery, and a Register of Legal Proceedings be kept at the Collectors' Office, showing the results of the legal procedure. In the event of judicial orders being obtained to pay to the County Court Registrar, and especially in the case of orders being obtained to pay by instalments, the auditor should see that the instalments are collected from the County Court Offices periodically, and not allowed to lapse. Trace each sum recovered by legal process to its correct account in the Rental

Ledgers. The arrears finally carried forward at balancing time should be closely scrutinised, and, in a well-regulated Collecting Department, ought to be a constantly-decreasing quantity.

Such elementary precautions as changing the posting clerks at irregular intervals, and collectors not being given charge of a Rental Ledger to post, are presumed, though the number of cases of default arising from lack of this arrangement still proves that the old danger of working in a groove is as fatal as ever.

At the conclusion, the Audit Form, filled up, should be laid before the chief financial officer.

THE FINANCE DEPARTMENT.

(c) PREPAYMENT (COIN) METERS.

Wherever prepayment meters are in use the audit is difficult, as the registers on the meters are not always exactly accurate. The greatest safeguard is to adopt a system by means of which peculation on the part of the accounting officers is rendered possible only by collusion.

On each prepayment meter is generally a dial, which registers the consumption, and this quantity registered as consumed, worked out at the price charged, should give the amount of cash which ought to be found in the meter till; but these amounts very often do not correspond, so that it is advisable to provide each coin meter collector with a hand-book, the headings to which may usefully be as follows:—

COIN METER COLLECTOR'S HAND-BOOK.

.....Street.

Street No.	Ref. No.	State of Meter at .....190..	State of Meter at .....190..	Cents used	Amount as per Register £ s d	Cash Collected £ s d	Over £ s d	Short £ s d	Remarks

Broadly speaking, the audit of coin meters may be performed in two ways—either by two men doing the collecting work together, with a light check by independent officers, or by single collectors operating, with roving checkers always on the move and working independently.

Where two men pay visits to the meters together one is a meter inspector, and the other the cash collector. The inspector should, in his Meter Book, enter the register of the meter dial, see the cash counted out by the collector, and at the end of the day sign the Coin Meter Collector's handbook, as being in accordance with fact. Any two men should not be allowed to work together for long.

This system necessitates collusion between two persons at least, and if in addition the register of the coin meters be taken at the usual quarter days by one of the other gas meter inspectors, and the quarterly meter-states recorded in a Coin Meters Register, it will be seen that any great difference in the meter-states, as recorded by the collector and the inspector, and the corresponding amount of cash accounted for, is at once visible. Any great discrepancy should receive immediate inquiry.

Where one collector alone takes the money from the meters, the roving checker should always be testing him by visits just before, or just after, the collector, counting all cash in the box, and replacing it.

As has already been stated, the actual cash found in the till and the amount shown to be due by the meter dial register often differ in small amounts, so that the "Over" and "Short" columns of the Collecting Book should receive careful attention, and any abnormal difference be explained wherever possible.

If, as experience proves, two-shilling pieces be found to have been placed in the slots, and the collector is asked to refund the amount overpaid, he may be allowed to do so, but should obtain receipts from the consumer, and report the transaction in his book. The only check of the possibility of silver coins being placed in the slots unwittingly, and the collectors defrauding the Corporation by substituting the correct copper coin, is to distribute the responsibility. If suspicion be aroused, the insertion of a florin by the auditor or the meter inspector, without notice to either the consumer or the collector, will provide a test of the honesty of the cash collector.

In some towns discount or a rebate is given on coin meter takings, to avoid altering the mechanism of the meters when the price is reduced. The gross and the net takings should be shown in the collector's books (for he must give the rebate on the spot), and the roving checker should test the discounts repaid also. All discounts not paid (*e.g.*, in the absence of the householder) should be given only at the Head Office, on presentation of a voucher left at the house by the collector out of a carbon counterfoil book kept by him for the purpose.

Check occasional subtractions of meter-states to show the consumption, the entries from the collecting hand-book to the Cash Account kept at the Collectors' Office, the additions of all cash, and the payment of all sums collected by the collector to the chief cashier, at the close of each day's collection, with consequent payment into bank.

THE FINANCE DEPARTMENT.

(*d*) GAS RESIDUALS.

Every sale of gas residuals should be recorded by a delivery ticket in carbon duplicate, and no goods should leave the works yard without such a ticket. These counterfoils should be posted

to personal accounts of the debtors either in the Rental Ledger or in a separate Debtors' Ledger, where the sales are not for spot cash, but on credit.

Where these charges are not recorded in the Rental Ledger, call for the Gas Residuals Debtors' Ledger, and the Day Books, which will be checked by the auditor with the carbon copies of the delivery tickets at the Gas Works.

Verify the amounts charged to the customers in total, and/or in detail, by calling off the Day Book quantities, prices, and amounts, with the charge made to each purchaser. Gas Residuals are often sold in huge quantities on special terms of supply and payment; in all these cases the agreements should be obtained and particulars kept.

It is very difficult to check gas residuals by Stock Accounts, and the delivery system must be carefully arranged to distribute the responsibility by a good method of cross-check.

After ensuring that all the debit entries are made in the Debtors' Ledger, check off the total amount shown to have been received, either in total by balancing the amounts in the "Residuals" columns of the Summary of Collectors' Cash Books with the totals posted to the credit side of the Residuals Debtors' Ledger, or by checking the postings in detail—the only safe method where discounts are allowed. In any case, check the duplicates of the manifold receipt-check books into the appropriate column of the Collectors' cash accounts. Cast the additions of all the cash accounts, and trace the moneys through the books of account until they reach the bank.

Examine the Lists of Unpaid Accounts taken out periodically, submit to the chief officer for instructions, and see that no customer is allowed to run up a large account without having his supply stopped until payment be made.

Check the amounts written off as bad and irrecoverable with the Bad Debts Register, and trace all recoverable arrears forward to the next month, quarter, or other accounting period. Complete the Audit Report Form for submission to the chief financial officer.

(e) GAS, ELECTRICITY, AND WATER FITTINGS AND SERVICES.

The basis for ensuring the accuracy of the debit entries for amounts due from debtors on account of sales of these materials is the appropriate departmental Fittings Day Book, which should be checked from the delivery tickets, and perhaps the Goods Outward Book, at each department, as is shown hereafter. Charges for workmen's time should be traced from the Wages Analysis Book (making test cases of the men's time sheets) through the Wages Journal.

Call over the entries from the Day Book and Wages Journal to the debit side of the Fittings Debtors' Ledger, (unless the personal accounts are kept in columns in the Rental Ledger where the gas or other charge is made), verifying each customer's account in detail, or balancing in total only. In the event of amounts being charged to customers over and above the cost price of labour and materials, two columns may be ruled in the Debtors' Ledger Day Book, &c., to show separately the cost price and the amounts of the extra charges. No difficulty will thus be found in balancing in total. The stocks and stores system recording the receipt, issue, and stock of all fittings should be thorough and complete.

The debit entries having been verified, check off the amounts received, as shown by the duplicates of the Collectors' receipt-check books, with the entries in the correct columns of the Collectors' Cash Books. Ensure the accuracy of the totals of

the cash account additions, and trace their entry through all or any intermediate books of account until the moneys are banked.

The total amount received may be checked as to its posting either in detail or in total (due care being bestowed on discounts allowed) with the credit side of the Fittings Debtors' Ledger. Separate books, or separate parts of the book, may be kept for each department, and separate columns be used in the Collectors' cash account to facilitate the sectional proof. This should not present much difficulty, unless amounts have been entered in the wrong columns, and temporarily pass unnoticed.

Similar arrangements for (*a*) the preparation of Unpaid Accounts Statements for submission to the chief financial officer, (*b*) writing off debts bad or irrecoverable, and (*c*) the checking of recoverable arrears carried forward, are advisable in the audit of income from fittings, as in the collections of rates and rentals.

A good rule, and one that the auditor should see enforced, is that no service or supply of gas, water, or electricity is given until the account for the fittings has been paid.

Other features of the audit of these trading undertaking accounts will be found under the head of each separate department in other parts of this book.

(*f*) INTEREST ON INVESTMENTS.

The Register of Investments forms the foundation of the check on income accruing due from the investment of a municipality's Sinking Funds, Reserve Funds, &c., which is usually received by the Finance Department. In addition to this register there will probably be kept at the Finance Department an Investments Ledger, containing an account of each investment, and showing the amount invested, repayments made

(if any), and the interest accrued due periodically, with the particulars of the payment of the interest or dividend. The auditor does not concern himself at this stage about the investment of the Sinking Funds, &c., to the full amount accumulated, or the fixing of the rate at which the money is lent. That is a matter to be dealt with by the professional auditor, or the officer who requires the audit of the detailed income to be completed before he commences a wider audit. The auditor checking the detailed income should verify from the Minutes, and lists of cheques authorised to be drawn when making investments, the entries in the Town Clerk's Register, and check the particulars of each amount invested, and the rate per cent. to be charged. Verify the correct entry of all these particulars in the Investments Ledger, and go through the Ledger Accounts, seeing that all the interest chargeable and the income-tax deductions allowable are arithmetically correct.

A list of the amounts of interest on investments (*e.g.*, in real property) should be prepared at the periodical rendering of accounts for those items at the dates on which they become due for payment of dividends. The collectors' manifold cash receipt-checks should be called over with the collectors' cash accounts, and the posting to the credit of the Investments Ledger accounts verified. If the lists of interest due be marked off daily, the chief financial officer can always, by a perusal thereof, exercise his supervision over the amounts outstanding from day to day, without his time being wasted by wading through the Investments Ledger (or Ledgers, if the funds be separated); and this is a consideration worth the extra clerical labour involved in the original preparation of the sheets, as the amounts at issue are often large. There should be no bad debts on account of interest or investments, but the chief financial officer should be kept cognisant of accounts outstanding and overdue, so that, if necessary, the legal provisions for recovery may be carried out.

(*g*) RENTS.

Ground Rents, Houses, Shops, Artizans' Dwellings, Wayleaves Privileges, Acknowledgments.

The collection of all rents is best deputed to the chief financial officer's Collecting Department, and for the present purposes of this handbook this is presumed to be the case. Wherever rents are likely to be received at the office of any particular department other than the Finance Department, mention is hereafter made of any check suitable to the special circumstances of that department, in addition to the method of check described as follows:

For all rents there should be a Rents Roll and a Tenants' Ledger. The Rents Roll should state full particulars of the tenancy, and if, in addition, columns be added showing the Date Due *in extenso*, with a column for each month (in the same manner as a Bills Receivable or Payable Book), the check to the Tenants' Ledger is greatly facilitated. The particulars of all property let to tenants should be traced from the Minutes of the Council at which the Seal was authorised to be fixed to the agreements, all necessary details being obtained from the Town Clerk's Department, which would have the preparation of the agreements. As every agreement is completed, a Notification Form, containing all necessary particulars of the tenancy, should be sent to the chief financial officer, and allocated to the attention of the audit clerk. Each rent receivable may thus be checked, whether collected by the general collecting staff in the Finance Department or through the office of the department principally concerned. Check the debit entries in the Tenants' Ledger from the Rents Roll, and see that all arrears are correctly brought forward. Call over the duplicates of the receipt-check books to the correct columns of the collectors' cash accounts, and check the postings therefrom to the credit side of the Tenants' Ledger. See that a list of arrears is prepared periodically, and that all allowances or deductions are made by the authority of the chief financial officer, entries being made in the Bad Debts Register. Whilst verifying allowances, such as Income Tax deductions, be sure that the amount on which tax is allowed is the actual rent paid, less the statutory one-sixth, the tenant bearing tax on any amount of assessment over and above this amount.

For weekly, monthly, or other short periodical rents, a separate Tenants' Ledger, in special form, may be used, and in cases where Rent Books are kept by the tenants, check off the periodical amounts shown to have been received with their books, if possible. It is also useful to make sure from interviews with a tenant occasionally that he is not charged with any "extra" which is not accounted for. Cases have been known where the tenant has been paying a small charge per week to the collector for, say, garden, which was quite unauthorised and neither accounted for, nor booked.

Trace the total amounts received through the Collectors' Cash Book, and all intermediate books, until they are paid into the bank.

(*h*) EXCHEQUER, &c., GRANTS.

For all amounts received from H.M. Government there will be found sufficient verification by means of the letters of advice received from the Government Departments accompanying periodical instalments and final statements with balances.

In the case of a County Borough, the amounts received from the Exchequer would be that municipality's share of the Licences and Estate Duties and the Customs and Excise Duties, as set out in the provisions of the Local Government Act, 1888, &c. These amounts would be carried to the Exchequer Contribution Account in the financial books, there to be apportioned for the various purposes on which the money is to be spent.

There are many Acts of Parliament bearing on this point which the auditor should study.

The Government contributions in lieu of local rates have already been spoken of.

In the case of a Non-County Borough, the chief payments from the Exchequer Contribution Account of the County Council to which the municipality is entitled are the contributions towards (*a*) the cost of Police Pay and Clothing, where a Borough Police Force is separately maintained; and (*b*) the Salaries of the Medical Officer and Inspectors of Nuisances. The contribution should be one-half of the actual cost, though sometimes small items are disallowed by the county officers as being improper expenditure. These grants to Non-County Boroughs are not received direct from H.M. Government, but from the Council of the Administrative County.

Grants are also received from the County Council in most smaller boroughs towards the expenses of the administration of the Contagious Diseases (Animals) Act, the Sale of Food and Drugs Act, the Weights and Measures Acts, and Technical (now Higher) Education, and the circular letters from the county should always be produced, whilst a reference to the County Abstract of Accounts would provide an additional check.

As the amounts are sometimes paid in to the credit of the municipality at the bank directly by the Government Department, and also as the pay-orders usually contain receipt-forms at the foot, there may be no receipt-checks given, but it is as well to have an understanding as to whether such is to be the case or not. The receipt, however, should be traced through all intervening books until it reaches the appropriate account in the General Ledger, whether the money be paid direct to the bank or not.

(*i*) ALLOTMENTS.

In any borough where the provisions of the Allotments Act, 1887, are adopted, the auditor should call for the list and particulars of allotments let from the Town Clerk's Department, along with the plans of the grounds let for allotments, prepared in the Surveyor's Department, and check off the rents due at the proper dates into the Allotments Register and the Allotment Holders' Ledger. The auditor might also, whenever opportunity affords, check off on the spot the allotments let and under cultivation.

The receipt-check books should be called over to the collectors' cash accounts and to the credit side of the Allotment Holders' Ledger, the same procedure as to allowances, bad debts, and arrears being adopted as in the case of an audit of general rents collection.

An auditor should see that the rents charged are sufficient to defray the whole cost of the upkeep of the allotments, as a separate account is required to be kept by law to ensure this.

(*j*) SUNDRY DEBTORS.

In addition to the afore-mentioned sources of income, there are many miscellaneous items, which may be received by the Collectors' Department if, as is assumed, the collection of all accounts not prepaid is deputed to the chief financial officer. In every case where this is so, the Day Book sent to the Finance Department from each department should be called for, and checked off with the entries in the Sundry Debtors' Ledger.

Whilst the auditor is paying his periodical visits to each department, the Day Book should be subjected to audit, as is described hereafter, whenever any credit sale or charge not prepaid is likely to occur, the danger being rather one of omission to enter than of clerical inaccuracy in rendering the account. If the Day Book of each department is subjected

to scrutiny, the audit of the charges therein shown to be due (by means of the Sundry Debtors' Ledger), and the verification of the collection (by means of the duplicates of the receipt-check books and Collectors' Cash Books), may be undertaken and completed without difficulty, so long as the rules as to lists of arrears, allowances, and bad debts, as previously described, are closely adhered to.

(*k*) PRIVATE STREET IMPROVEMENTS.

Under the powers conferred on an Urban Authority by the Public Health Acts, or obtained by the adoption of the Private Street Works Act of 1892, works of street improvement for private owners may be carried out by that authority. The provisions of these Acts differ materially, and of their contents the auditor should be fully cognisant.

His work commences by a verification of the fact that all the expenses incidental to a work of private street improvement have been fully charged. With an efficient Stocks and Stores Department at work under the chief financial officer's control, the auditor's work is simplified. He should audit the postings as shown in the Stores Journal and Wages Journal to the Ledger Account for each particular street, and see that all additions for printing, advertising, supervision, water (often omitted), and any administrative expenses are made. An addition of 5 per cent. of the prime cost is often made to cover these expenses. This total cost of each street is apportioned by the Surveyor, generally on frontage, and as each apportionment is received the impersonal ledger-account for each street is closed by a transfer to the debit of the personal accounts of the owners of the properties, who then are charged with interest from the date of demand of the amount of the account. Call over the counterfoils of the Private Improvement demand notes, and check the date from which interest accrues. These personal accounts are best kept in a Private Street Works

Owners' Ledger, columnar in form, providing on the credit side for the payment of instalments with interest, as it becomes due, at the periodical dates, the balance unpaid being carried from column to column across the page.

Call over the receipt-check books into the collectors' cash accounts, and trace each payment through the books to the credit of the personal accounts, at the same time examining the copies of agreements entered into between the private owner and the Corporation for payments by instalments to be made by the property in refunding to the Corporation the cost of the work.

The usual procedure as to lists of unpaid accounts has in the case of Private Improvement works to be amended according to particular requirements, and the chief financial officer has to depend very greatly on his audit staff and the private improvements clerks for his supervision of the amounts of *instalments* in arrear, wherever works of private street improvement are carried out to a large extent. If the contents of each Instalment Agreement are noted in a column provided for that purpose in the Owners' Ledger, the danger of an instalment remaining for any length of time in arrear is obviated. The auditor should then check the instalment, debited at the proper date, and at least "test," if not check in detail, the interest charged.

No bad debts should be allowed for the cost of works of private improvements, as these costs are a charge on the property itself, and can always be recovered by legal process. At the same time, allowances and transfers to the debit of Highways Account are often made where it is decided to charge any outlay to the rates and not to private owners, and these allowances should be passed through the Bad Debts and Allowances Register by approval of the chief financial officer and the appropriate Committee, properly signified in the book itself.

A check on the postings to the debit of the ledger accounts for each street would enable the list of works of private street improvements executed but unapportioned to be verified at the date of the periodical closing of the books, for inclusion in the Annual Abstract of Accounts as an asset in the Balance Sheet.

(*l*) PUBLIC CONVENIENCES

The system of collection of the moneys received at Public Conveniences throughout the city or borough is one calling for great care, as the possibility of peculation occurring in these revenues is far from remote.

Experience has proved that as far as the audit of the moneys received by means of the slots in the w.c. door-governors is concerned, registers are not entirely to be relied on as a check either on the attendant or the collector. To guard against fraud by the attendants, notices should be posted up in the most prominent places that all coins are to be deposited in the slots, and not handed to the attendant. The auditor, on his visits, should watch for any sign of tampering with the springs or other devices which ensure the closing of the doors. The time for visits for collection of the moneys should be altered at very short and irregular periods. The attendants may be changed about occasionally, and surprise visits paid by one of the audit staff as often as is possible without arousing too much suspicion.

Where lavatories are in use, a good plan is to wrap each towel in an adhesive label, which must be broken for the towel to be used, and a Towels Record Book kept showing the towels received and used, and the moneys received therefor. The stock in hand may be checked at each visit.

These are precautions which may always be taken as safeguards against fraud by attendants, and, if the auditor's suspicion be aroused, careful watch must be set, and traps laid without delay. Whenever fraud is proved, the defaulter should

be summoned before a Court of summary jurisdiction, and a conviction obtained, as a warning to other attendants.

As a check on the collector, it is believed that nothing short of a personal attendance by one of the audit staff at the collection from the lavatories will be found satisfactory. A Cash Record Book should be kept, in which the collector must enter the receipts from each convenience, and the auditor must see the money counted out, and initial the entries made by the collector in this Cash Record Book. A continual change of both the member of the audit staff and the collector should be kept up, and fraudulent collusion thereby be made as difficult as possible. If the collector be allowed to collect the moneys alone, the lavatories attendant should see the amounts collected, and initial the entries in the Cash Record Book. In this case, the auditor may visit the conveniences just before the collector's arrival, count and replace the moneys, and note the amount brought in by the collector as being in the slots and collected. Any discrepancy would, of course, confirm the auditor's suspicions, and prove the dishonesty of the official. Special care must be taken to ensure that all silver coins found in the slots are reported by the collector on his return, and occasionally, as a test on the observance of this regulation, the auditor may himself insert, say, a florin in a w.c. slot, and await the collector's report.

On his return, or at the close of the day, the collector from conveniences should write up the entries from the Cash Record Book to his Office Collector's Cash Account, and both books are then submitted to the audit of the indoor audit staff, as in the case of the general collectors. Trace the moneys received to the hands of the cashier, and to the bank, as has been shown.

(*m*) MISCELLANEOUS RECEIPTS.

For all other cash receipts by the Collectors' Department of a miscellaneous nature, the check should be by means of the

particular receipt-check books in use therefor, or the general receipt-check books for all or any purposes, as the case may be. The posting of a notice in a prominent place at the pay counter that "Official receipts are to be obtained for all moneys paid," together with a check wherever possible on the stock of any articles sold, provides a good general precaution against omission to enter receipts, whilst the checking of all duplicates of manifold receipt-check books, to the time the moneys received reach the bank, has already been described. Wherever any additional check may be adopted in any particular case, the auditor should always bring into use the assistance it affords.

THE FINANCE DEPARTMENT.

Collectors' Office.

CENTRALISATION AND FINANCIAL CONTROL.

The receipt-check books are now assumed to have been called over, the collectors' cash accounts checked, and the daily totals of each column contained therein transferred to the Summary of Collectors' Cash Accounts. The cash corresponding with the daily amount shown to have been received by each collector, according to his cash account, is, in most offices, not banked direct by each collector, but transferred to the hands of the chief cashier at the close of the day, receipts being given to each collector in manifold cash-slip books for the amount handed over. The cashier should enter all these receipts from the individual collectors in a *Cash* Summary Book, and there add to the takings of his own staff the amounts paid in to him by the accounting officers of the different departments where they do not bank direct, reporting to the chief financial officer at the close of the day the failure of any particular accounting officer to pay in at the proper time. By this means all the cash passing through the hands of the cashier is brought

together and checked, and there now remains the audit of the due payment of the moneys by the cashier to the bank. Every morning, by a stated time, the cash takings of the preceding day should be paid in at the bank by the cashier, and, say half-an-hour later, there should be sent from the bank to the chief financial officer, independent of the Collecting Department, a notification of the amounts paid in that morning. This Notification Slip is immediately handed by the chief financial officer to the principal member of the audit staff then on indoor duty (or perhaps the chief officer himself may perform the duty) for comparison with the Cash Summary, as showing the amount purported to have been paid in. By this means any chance of a cashier absconding with a day's receipts is narrowed down to the smallest possible limit of time allowance, and, at the same time, any errors in paying in to the credit of the different Bank Accounts are immediately noticed and rectified.

If any departmental officer is allowed to pay over to the bank direct, and circumstances often necessitate it, the same plan as to notification of payments to credit of accounts at the bank should be adopted, the Cash Account of the accounting officer being also presented at the Chief Financial Officer's Department for inspection and comparison with the Bank Slip at the stated time. In smaller towns the plan of paying all receipts over to one officer instead of to the bank direct has much to commend it. Periodically the payments shown by the Cashier's Summary to have been made to the credit of the different Bank Accounts should be checked direct into the bank books, and the Summary of Collectors' Cash Accounts checked into the Analysis of Receipts Book, where the details of the departmental receipts obtained from each Departmental Cash Account, duly audited, are added, and the grand total of all sums banked is obtained and balanced. At the same time, analyses of the total receipts are made and recorded for entry direct to the Cash Books of

the different funds. The audit of the clerical entries, and postings of the receipts through various intermediate books (which differ, of course, in name and in arrangement in many towns) to the appropriate cash book or books, provides the last link in the audit of all a municipality's income from its source, where each accounting officer's receipts are thus passed through the Collectors' Office, and one grand summary of all receipts obtained.

This is a system found to work well in practice, by which the chief financial officer has a thorough oversight of all the money passing through the hands of all the accounting officers, enabling him by his audit staff to detect and correct irregularities which reasonable precautions and systematic arrangements may ultimately reduce to a minimum.

The value of a system of centralisation of the control of monevs receivable by a local authority is often overlooked, so far as it enables a complete oversight to be obtained of losses of revenue by defaulters whose actions create bad debts. Too often is it found that debtors are able to take advantage of a system of departmental arrangements which have no connection with each other, so that the debtor may secure credit from Department B within a few days of having been proved a bad lot in Department A.

Where all the revenues of a local authority, such as rates, gas, water, electricity, &c., are collected by a general collecting department, no new consumers should be accepted by the trading departments until a reference has been made to the collecting office for the debtor's record.

In those towns where, for various reasons, and especially because of their great size, departmental collection is decentralised, it should be the duty of an officer, preferably the chief financial officer, to keep a card record of defaulters,

entered up from returns of bad debts from every department, in order to place at the disposal of all departments facts coming to the knowledge of any. The auditor may find it to his advantage to inaugurate a system of reducing losses in collection by such means.

Much use can be made in the Collectors' Department of a record showing the percentage of collection of all classes of income at short intervals, as compared with previous periods; as a guide to the chief financial officer in his supervision of the department, they can well be compared with the Cost Sheets of a factory. This statement, setting out all the receipts of the Collectors' Department under convenient heads, enables the chief financial officer to perceive at once any diminution in the standard of efficiency displayed by any branch of the Collectors' Department, and to provide a remedy for such a defect before it has been brought to his notice in other ways, perhaps by the actual losses incurred by the collectors' default.

Before transferring attention to the audit of sums of money received by all departments other than the Chief Financial Officer's Department, it may be useful to see to what extent those other departments may be linked up with the Finance Department, so as to strengthen the supervision of these miscellaneous receipts.

The system which serves this purpose well in one town may not work at all smoothly in another, and no hard and fast rule may be laid down.

In small towns it is not at all uncommon to find that every sum payable to a local authority, even for the most casual items, as well as regular rentals and consumers' charges, is to be paid to the financial officer, and him only. He issues a receipt, and states the article for which payment is made, so that the payer, on presentation of this receipt, is entitled to

receive the article, *e.g.*, burgess lists, gas coke, odd fittings, old furniture, and the like, from the other departments. The receipt is then endorsed with a note of the goods delivered, to destroy its currency, and a good check is secured on these miscellaneous sums. Under this arrangement it is obviously necessary that all officers concerned are under instructions to permit no goods to be removed except on presentation of the receipt form duly signed and endorsed.

In larger towns such a system would be quite impossible, though even then there is too great a tendency to permit many officers to issue receipts from their particular sub-departments, where one departmental receiving office or officer would be best, and this tendency should always be corrected by the auditor when he has the opportunity.

If each department is therefore compelled to issue its own receipts and account for its own moneys, the facts in each case must be taken into consideration and a system devised to meet the case. Those departmental arrangements most commonly existing—though, of course, they differ in departmentalism greatly—are next explained and dealt with.

DEPARTMENT No. 2.

THE FINANCE DEPARTMENT.

General Treasury Office.

(a) CAPITAL MONEYS.

The most important source of income usually found in the Finance Department (as distinguished from the Collectors' Branch thereof) is that of moneys raised by loans to meet capital expenditure. The manner of raising the moneys thus borrowed may be by means of issues of stock, or by mortgages or debentures on the corporate rates and properties, secured by Deed, or by Deposit Notes, by Bills of Exchange, &c.

In the case of stock issues being locally directed, the moneys, as due in instalments, &c., are paid in to the bank direct, and without going through the tenders and allotment letters it would probably suffice to check over the amounts of stock certificates as finally issued with the Bank Book and General Cash Book in detail and in total, as being in agreement with the amounts shown to have been received. Trace the moneys received through all the intermediate books to the stockholder's account in the Stock Ledger, and to the entry of the name and particulars of the stockholder on the Register.

These are the outlines only of the check to be instituted on the issue of stock, in the event of such an issue being made with the chief financial officer as the registrar, and not through the medium of bankers, who would in that case raise the money by their own process, the amount of the stock issued being placed to the credit of the Corporation's Bank Account, and stock certificates issued making up that amount. The audit of the issue in this case would not come within the range of the Internal Auditor, except to see that stock certificates are issued for, and interest paid on, only such an amount as has been placed to the credit of the Corporation's Bank Account, allowing for premiums or discount on issue.

For the audit of moneys raised by loans on mortgage, there should be interim receipts given, signed by the officer to whom the amounts on loan are paid, and issuing from the Chief Financial Officer's Department. Call over the duplicates of these receipts with the Bank Book, and, as each Mortgage Deed is issued and sealed in the presence of the Mayor and Town Clerk, between whom collusion is most improbable, the auditor (generally at the Mayor's request) attends in some towns with the Bank Book, and sees that for every deed issued there is a record in the Minutes, and an authentic entry in the Bank Book showing the receipt of the loan. This precaution is a

wise one, and although the chief financial officer is also required to sign the deed it is an additional safeguard that should not be rejected, as it conveys a sense of security to the persons permitting the use of the official seal. The due receipt of the money, for which the mortgage deed is issued as security, is not the only check requisite on the deed, but the particulars as to notice of repayment, the rate of interest, &c., have to be most carefully scrutinised.

Trace the moneys through the Cash Book, and any other intermediate books, to the credit side of the Mortgagees' Accounts in the Mortgage Ledger, and to the enrolment of the particulars of the mortgage in the Register of Mortgages.

Moneys raised by Deposit Notes can be checked with the manifold receipt-checks and the entries in the Bank Book. Peculation in this branch of municipal borrowing is a difficult matter, as the Deposit Notes are to be given up on repayment, when any discrepancy would at once become evident. Nevertheless, precaution must be taken against temporary deficiencies, and the possible absconding of the defaulter in the interim. Trace the amounts received through the Bank Book, and all intermediate books of account, till the depositor's account in the Ledger be reached.

Moneys raised by Bills of Exchange (very unusual procedure except in the largest cities) can be checked by the Register of Bills Issued and the Bank Account, and as bills are only issued to supply capital moneys temporarily (*e.g.*, pending the arrangement of an issue of stock), the provision against fraud is to a certain extent self-contained, for the bill has to be presented for payment, and the amount repaid would, after allowing for interest, be checked with the amount received; at the same time, there is the danger of temporary deficiencies to be kept in view. The accepted tenders for the bills, showing the discount charged, should always be produced and examined.

These methods of audit would apply whether the Town Clerk's Department or the Finance Department be the medium by which the moneys were borrowed.

It may be added that the audit of receipts of this class is always a duty of the professional auditor, who has to satisfy himself on the legal authority, the purposes authorised, the provision for redemption, &c., as well as the actual receipt of the money. This complete audit is given in the author's work on "The Organisation and Audit of Local Authorities' Accounts."

(*b*) TOWN HALL FEES.

Applications for the use of the Town Hall should be made in a prescribed form, and submitted for the approval of the appropriate committee, the chairman of which should authorise the use of the room by his signature to the form, especially stating whether a charge is to be made or not. The fee for the use of the Town Hall should be a recognised one, according to the length of time during which use is made of the rooms, with additions, if necessary, for lighting, heating, &c. Receipts should be given and traced to the bank, as has been shown. The due receipt of the charges for use of the Town Hall may nearly always be checked by the external evidence afforded by the local newspapers and hoarding advertisements; but this check should rather be applied by taking the newspapers as the basis, and investigating the receipts to see that all meetings, except where given free use, on proper authority, are paid for. It is easy enough to find a newspaper notice of meetings paid for, but not always is every advertised meeting paid for.

(*c*) SUNDRIES.

Receipts of a miscellaneous nature—such as Transfer Fees, sales of burgess lists and Treasurer's Abstract of Accounts, charges for repayment of loans before maturity, sales of old

fixtures and other waste materials—should be carefully watched, and as the Internal Auditor is generally on the staff of the chief financial officer, he should always be cognisant of the transactions taking place daily in his own department. Receipt-check books should be in use, and as much care as possible taken to ensure that receipts are always given for amounts received—*e.g.*, examine the copy letter book for particulars of charges to be paid by a mortgagee for repayment of a loan before maturity, and trace all loans repaid from the payments side of the Mortgages Cash Book. There should be, too, in every department an inventory of all furniture and fittings, which should be examined and tested regularly. Whenever sales of any articles, such as burgess lists, become steady, a Stock Account should be kept and examined. Call over the manifold receipt-checks to the Treasury Receipt and Deposit Account; check the additions and the due payment of all receipts to the Cashier's Department, there to be accounted for in the manner already described.

Complete the Audit Form, and report to the chief financial officer.

DEPARTMENT No. 3.

THE TOWN CLERK'S DEPARTMENT.

In some municipalities, the raising of moneys by loans is transacted through the Town Clerk's Department, but the audit of moneys received on this account has been described as part of the audit of the Finance Department, and the audit applies fully, as described, in any case. The most probable sources of income through the Town Clerk's Department will be as follows :—

LICENCES (UNDER BYE-LAWS, &c.)

For these receipts there should always be counterfoils of the licences issued. In the case of licences, the manifold carbon

copy receipt-check is not convenient, owing chiefly to the fact than the licencee is usually required to sign the counterfoil of the licence as agreeing to the conditions on which the licence is issued. As a licence, speaking generally, cannot be issued without this procedure, it will be found sufficient to check off the counterfoils with the Licences Cash Account, and trace the moneys by the Cash Slips Book (used for paying into the bank) till it reaches the Finance Department and the Bank. On each licence issued (and the counterfoils) should be printed the price of the licence, and that price accounted for; if in addition a badge be sold, as, for instance, to hackney carriage drivers, the sale of the badges should be audited and the Licence Badges Stock Book checked. An account should be kept, and audited periodically, of each class of badge, and the stock received, issued, and returned, each badge being accounted for. *Every* Licence Duplicate Book should be examined, whether any have been shown as issued in the interim since the last audit or not, to guard against temporary deficiencies. Usually a monthly report is presented to the appropriate Committee of the number of licences of all kinds issued during the month, and the particulars of this report should be checked periodically by the auditor. Any departmental payments (*e.g.*, Tramway Carriage Licences) can be checked by reference to the accounts of the department making the payment. At the end of each year the unused licences should be cancelled *by the audit staff*, to prevent fraudulent use being made of them.

LOCAL TAXATION LICENCES.

In addition to the income receivable by a local authority for licences required to be taken out for vehicles, etc., under its own bye-laws, the counties and county boroughs in England and Wales are now given charge of the collection of licence duties on persons possessing dogs, guns, carriages, armorial bearings, and male servants, and for persons dealing in game and killing game respectively.

These licences, generally known as "Local Taxation Licence Duties" and "Establishment Licences," accrue to the local authorities of the kingdom for the relief of local taxation, but prior to 1909 the whole machinery of collection was provided and maintained by the Government, who ultimately handed over to the Counties and County Borough Councils their respective shares of the proceeds of these duties on bases defined by law, which are somewhat intricate, but will be found explained under the heading of Imperial Subventions in the author's work on the "Organisation and Audit of Local Authorities' Accounts."

From the auditor's point of view, his work is considerably simplified by the fact that the greater portion of these duties is paid at post offices, and there is a system established by which the counterparts of all licences issued by the post offices are forwarded to the local authority to be entered into registers, so that every person liable for duty may be recorded and the payments posted.

In some towns the chief financial officer is entrusted with the supervision of this work, and in others the town clerk, whilst in a few districts the chief constable undertakes it, but in any case it should be the duty of the Internal Auditor to satisfy himself that the registers of persons liable for duty are properly kept, promptly posted, and lists of arrears or defaulters are prepared regularly for action, that penalties payable by defaulters, mitigated penalties (in lieu of fine in open Court) are fully recovered and accounted for, and generally the auditor should satisfy himself that the whole system of collection is a good one, and that the officers are observing the rules prescribed for the performance of the work by the head of the department.

Where the chief officer in charge is himself authorised to receive licence duties as well as the local post offices, a proper carbon copy record of all licences issued should be produced,

a Cash Book kept, and the same audit should be applied to the receipts as that prescribed for general licences in preceding paragraphs.

At the conclusion of each year's work a most careful and detailed summary should be compiled of the proceeds of the licences, for comparison with the preceding year's record, and there ought always to be a steady increase shown in the percentage of licence cases discovered, sufficient at any rate to show that the officers are not content merely with seeing that each person who paid a licence last year pays one this year, but make every endeavour to ensure that no person who is liable escapes the payment of a licence duty.

SALES OF PROPERTY.

Sales of property are generally arranged and carried out by the Town Clerk's Department. A sale of freehold or leasehold property cannot be completed without the affixing of the Corporation Seal to the deed; this authority to affix the Seal is generally contained in the printed Minutes, and thus brought to the auditor's notice. In practice, a member of the audit staff usually attends periodically at the Town Clerk's Department, and takes from the deeds authorised to be sealed the particulars as to purchase-price and the payment. These particulars are entered in a Register of Corporation Properties Acquired and Disposed of, and the due receipt of the purchase-money verified. In the event of the deposit only being paid, and the balance left to be paid by instalments, a record is thus kept, and the debit entries made in the Sundry Debtors' Ledger at the due dates, with interest from time to time charged as agreed.

GENERAL.

Receipt-check books should be used as an acknowledgment for moneys received from all miscellaneous sources—such as the hire of voting compartments, sale of burgess lists, stamping

fees on agreements charged to tenants, old furniture, &c.—and all cash received traced through all its stages till it reaches the bank.

Town Clerk's Cash Account.

This book will show the total receipts from all sources, and the dates and amounts of the deposits with the Finance Department Collectors' Office. Check all additions, and trace all moneys paid over till they reach the bank.

DEPARTMENT No. 4.

THE SURVEYOR'S DEPARTMENT.

(*a*) HIGHWAYS.

With an efficient Stocks and Stores or Works Department staff in operation, the control of the highways income and other revenues of the Surveyor's Department by the chief financial officer is much facilitated. The staff of the Stores Department should be under the supervision of the chief financial officer so far as all financial transactions are concerned (whether that staff works in the Highways Offices or the Finance Department is immaterial), and perform, as part of their duties, the checking of duplicates of all the Materials, etc., Delivery-tickets, as sent in from the storekeepers at the different depôts, verifying their entry in the Goods Inward Books and Outward Books, and keeping the necessary Works Ledgers, and Materials, Stores, and Stocks Accounts.

The auditor may thus commence his work at the Journal entries made from the "Summaries of the Materials used on Works" (or the equivalent book, whatever it may be called) and the "Summaries of the Wages Books," checking the posting of materials used and time worked to the correct Ledger Account, and ensuring that all the debits are properly

charged either to the Highways Account (*i.e.*, against the town rates generally), the Corporation Committees indebted, or the private individuals for whom the works have been carried out. The proper debiting of expenses chargeable to works of private street improvement has already received attention.

To complete the audit, the debit entries charging all items of expense (other than works of private street improvement) recoverable from other Committees or private individuals must all be checked and traced through until the charges appear in proper form on the debit side of the Sundry Debtors' Account in the Collectors' Office. The audit of the collection of the amounts thus charged may then proceed, as has been shown, by means of the collectors' cash accounts and the receipt-check books. On all the receipts from other Corporation Committees there is a check provided by the examination of the accounts paid by the Committee charged, whilst the chief financial officer should maintain supervision over the collection of all sums due from private individuals as has been described in the audit of the collection of Gas Accounts, &c. The only part of the audit work on this account which takes place at the Highways or Stock and Stores Department is the verification of the fact that all debits for materials used and labour provided are accurately made, and that there is no laxity in the system of receiving and issuing goods, which are, of course, just as important as actual cash transactions.

(*b*) SEWERAGE.

Similar arrangements for the audit of the proper charging to the Sewerage Account, other Committees, or private individuals, of the cost of works of sewerage should be made, as for the charging of sums due to the Highway Department. The auditor, taking up his work at the point where the Works or Stores Department staff show the summaries of all the transactions recorded by the Materials Tickets and the Time Sheets.

should verify all charges to the Ledger Accounts of other departments and private individuals by the Stores and Wages Journals, and trace those charges through all intervening books till they reach the debit side of the Sundry Debtors' Ledger in the Chief Financial Officer's Department for collection; the additional charges for supervision and other administrative expenses must not be overlooked.

(*c*) TOWN PLANNING.

This new branch of the work of the Borough Surveyor's or Engineer's Department involves more expenditure than income, but inquiry should be made to ascertain what becomes of rents of houses, land, etc., comprised within estates or areas purchased by the local authority, as part of a "planned" area, and sales of timber especially require attention. When the area is being developed the estimates of the cost of the scheme should be examined to show probable receipts from landowners who agree to contribute towards the cost of extra width of roads, and a proper Register of Contributions should be opened, posted up promptly as soon as the charge is due, and kept under observation till all sums are received.

MISCELLANEOUS.

Besides works carried out for other Committees, or for private individuals by whom payment is to be made, there will be Cash Receipts of a miscellaneous nature—such as would be derived from the sale of horses, manure, mortar, scrap iron and other old materials, prepaid steam rolling charges, loan of tools, copies of building bye-laws, prepaid charges for sewer connections, &c. &c.

The following observations will illustrate the possible means of check which may be adopted in addition to the receipt-check books. Needless to say, there should be no money received without an official receipt being given.

A reference to the Horse Register will show the manner of disposal of any horses, and this register should be examined at intervening periods as well as at stocktaking time. Sales of manure should be made in large quantities by tender, and particulars obtained from the Committee's Minutes. Scrap iron, mortar, and all other materials, should, when sold, be paid for at the Surveyor's Office. Small sales of these materials should not, from the audit point of view, be encouraged. The cost of controlling sundry receipts and issues of these odds and ends absorbs a large part of the proceeds, and sales by tender *en bloc* are really more productive. Charges for the loan of tools, steam rolling, sewer connections, &c., should also be paid at the head office. No money should be taken at the depôts. As the moneys are received a receipt should be given for the amount, and an order on the depôt foreman or storekeeper issued as the authority for the delivery of the goods or the execution of the work. These orders on the foreman should be checked with the manifold receipt-checks issued.

The duplicates of the tickets for materials issued and the workmen's time sheets, examined and analysed by the Works Department staff, show materials used and time spent on all works, whether the charges be prepaid or afterwards collected. Where prepaid, the audit may be closed there and then. Where on credit, the charge should be traced into the collecting department.

Surveyor's Cash Account.

Call over the duplicates of the receipt-checks for all purposes to the Surveyor's cash account, and trace all the deposits with the Collector's Office of the Chief Financial Officer's Department until they are paid in at the Bank.

DEPARTMENT No. 5.

THE SANITARY DEPARTMENT.

Dealing first with credit sales and charges not prepaid, the extent of such transactions in this department will not be large, scarcely necessitating the regular use of delivery-tickets, or Stocks and Stores Journals and Ledgers. Credit sales of condemned foods, for tillage purposes, may take place, and charges may be made for testing drains, and for disinfectants and refuse receptacles sold. Many other similar transactions may take place; but if in every case it be the rule that no materials are to be handed over by any workmen without an order therefor signed by the Medical Officer of Health (a duplicate being retained in his office) as their authority, the chances of misappropriation of moneys are lessened. This Order Book should be called over to the Day Book, and the Day Book, after being duly initialled by the Medical Officer, serves as the basis for making out the accounts, as well as for posting the debit entries to the Sundry Debtors' Ledger at the Chief Financial Officer's Department. The audit of the collection of these sums then becomes part of the audit of the Collectors' Department.

For cash sales of all descriptions there should be receipt-check books in use, with the additional safeguard afforded by the Medical Officer's duplicate orders referred to above; without which no delivery of the goods should be permitted. Stock Accounts (*e.g.*, for refuse receptacles) should be kept, wherever possible, and audited.

Medical Officer's Cash Account.

Call over the duplicates of the receipt-checks to the Medical Officer's Collecting and Deposit Book, check the additions, verify the deposits at the Finance Department Collector's Office, and trace the moneys through the books of the cashier to the Bank.

DEPARTMENT No. 6.

THE GAS DEPARTMENT.

At this department the audit of all cash sales is to be carried out, and, in addition to this, the accuracy of the Meter-state Registers, Day Books, and other records in which credit sales or charges are entered, is to be proved. These books are periodically sent to the Finance Department, to supply the information from which accounts for gas rents, sales of residuals, &c., *not prepaid*, are made out and collected.

As the *pro formâ* Audit Memo. and Report given at page 22 is the one used at the Gas Department, it will serve as a guide to the student if he make reference to it when studying the descriptive detail following.

GAS RENTALS.

Ordinary Consumers.

Call for the Meter-state Registers (or cards, where in use), and test entries from the meter inspector's books, as being correct records of the meter registers therein entered. It is always useful to test a few meter-states here and there by reading the meter independently. Wherever deposits are to be paid by consumers as security for payment of accounts, tests may be made from the Deposits receipt-checks, to ensure that every person who has paid a deposit to become a consumer is entered in the registers of gas consumption. Any other check which the auditor, taking into consideration the system of recording the registers of the meters in use, may consider necessary, should be adopted to satisfy him that the Meter-state Registers, when sent to the Finance Department, are fully and correctly kept. It is always necessary to have a good system of inspection and record of services in use, to ensure that no consumer uses gas without being charged for it. A consumer may be omitted from charge altogether with a lax system.

The examination of contracts for special supplies of gas is important, as serving both to check the accuracy of the price charged and the particular arrangement as to payment.

Public Lighting.

As an Inter-departmental Account, paid by the Public Lighting Department to the Gas Department, this item presents no difficulty, so long as the basis on which the account is rendered is verified.

Prepayment Meters.

The cash receipts from this source are dealt with wholly at the Finance Department. The total consumption of gas used, recorded by these meters, can be checked approximately with the cash collectors' books already described, if separate Meter Registers for Prepayment (Coin) Meters be used. Test cases may, however, be made by comparing the entries in the meter inspectors' books with the corresponding entries in the Coin Meter Collector's Cash Record.

GAS RESIDUALS.—PREPAID SALES.

Coke and Breeze.

Call for the Coke Ticket Books for cash sales. This book is generally of the manifold carbon copy type, combining the delivery-note and the receipt, the duplicate copy forming the basis of check. Check occasional deductions from gross to net weights, and test the accuracy of sample pricings-out at the given figure per cwt. or ton; always check the market price of coke and breeze ruling at the time of audit. The totals of the receipts on the pages of the Coke Ticket Book will be found added either on daily summary sheets or books provided for the purpose, or perhaps on the back of a page of the counter-foils. The total of a page of tickets (which may contain any number from 4 to 24) is shown in ink at the foot of each page. Check the addition and the amount carried to the Daily

Summary. Prove the addition of the total of the Summary, and see that each day's total sum received is paid over at the close of the day by the coke weighman, or by the cash receiving officer, to the Cash Office. These daily totals from each Weigh Office are carried to the Gas Manager's Receipt and Deposit Account, and there accounted for periodically. Along with this description of the clerical portion of the audit should be read the precautions to be observed in the delivery of the coke to the purchaser, set out under the head of "Yard Arrangements" following.

Other Residuals (Tar, Ammoniacal Liquor, Spent Oxide, &c.)

For the check on cash sales of these residuals, &c., either a separate manifold receipt-check book may be provided, or the same books as used for coke sales may be made to serve the purpose. In the former case, the same check as applied to the Coke Ticket Books will be efficient; in the latter, notice that at the foot of each page of the receipt-checks the analysis of the different classes of items is correct, and that the Summary totals are analysed accordingly.

Check the "carry forward" of these daily totals to the Gas Manager's Receipt and Deposit Account, there to be accounted for.

GAS RESIDUALS.—CREDIT SALES.

To check the sales on credit, call over the duplicates of the delivery tickets in the Credit Sales Ticket Books to the Day Book, and see that each page of the Ticket Book is totalled and the pages summarised daily, a weekly or monthly summary being also made, and checked in total with the entries in the Day Book. The posting of the debits from the Day Book to each personal account in the Debtors' Ledger having been verified, the Gas Products Debtors' Ledger becomes the basis of check on the amounts received from Credit Sales, as

explained at pages 75-6, the making out of the accounts and the collection thereof being presumed to be carried out by the staff of the Gas Rentals and Collecting Offices respectively at the Chief Financial Officer's Department. If the work of the Gas Department be self-contained, and all the Ledgers recording consumers' accounts be kept there, with a separate collecting staff quite apart from the collecting system for other departments, then the description of the audit of collection of gas income, given under the heading of the Finance Department, will apply fully in these altered circumstances.

The auditor should be familiar with the amounts of the extra charges for delivery of coke, &c., at varying distances from the Works, and make test cases occasionally.

The check on stock of coke and breeze can only be approximate, and reliance must be placed on the general yard arrangements on the well-known principle of distributing the responsibility over as many persons as possible.

Many sales of coke in great quantities are by contract or tender. In these cases see that the prices at which the residuals are sold are in accordance with the contract prices by examining the original contracts. Copies should not be accepted.

In the Gas Department the check on departmental transactions is especially applicable, as practically every other department of the Corporation consumes gas, and is, or should be, charged for it.

The most usual practice as to the sale of residual tar, ammoniacal liquor, spent oxide, &c., is that tenders for the purchase of these commodities are invited, and contracts to purchase for given periods are entered into. These products are usually disposed of almost entirely in this manner, Cash Sales being only for small quantities. Examine the original

accepted tenders and check the prices of sale. Call for the books of delivery tickets for these residuals, and also the railway consignment notes and weights, if the commodities be consigned by rail. Check the entries from the tickets to the Day Book, singly or in total; and the posting of the debit entries from the Day Book to the Gas Products Debtors' Ledger having been called over, that book becomes the basis of check on the collection of the account for such sales.

The check on the stock of these residuals, as well as coke and breeze, is only approximate, and the yard arrangements have again to be called to the auditor's aid.

The price of tar, ammoniacal liquor, &c., is very variable, and as contracts are not entered into for very long periods, the dates, as well as prices, should be examined for fear of an expired contract being produced. It is as well, however, to be familiar with the prices ruling at the time of audit, and an occasional perusal of a technical journal will be found to be of assistance.

Sundry Materials.

These are difficult items to check, inasmuch as they are of an irregular nature, and, unless sold in large quantities, are not likely to be entered in the Storekeeper's Goods Outward Book. If the yard arrangements are satisfactory, two or three officers would be implicated in any fraud, and this, needless to say, always has a corrective and preventive effect. If the materials are sold for cash in large quantities, the Storekeeper's Goods Outward Book should be examined and the entry checked.

Weighing Machine Tolls.

In some gas works yards this is a very common item. If the machines be used to any great extent, a Weighing-machine Ticket Book should be provided and checked.

Stoves and Grillers.

All stoves sold should be accompanied by a delivery note, and for cash sales of these articles there should be separate Receipt-check Books. The auditor should follow the same course as that described for Coke Ticket Books, and, in addition, always require an accurate record of stock to be kept, each stove being identified by a column for its number.

The record (by delivery note) of every sale of a stove should be shown in a Stove Sales Account, equivalent to Day Book. Check the delivery notes with this Sales Record and the Sales Record with the Stock Book, seeing that *each* sale is correctly entered therein. This may be thought unnecessary detail, and it may be considered sufficient to post the Stoves Sales to the Stock Book periodically in total, but the method above detailed is always useful, and ensures absolute accuracy at stocktaking time, though it causes more initial labour.

Check the postings (from the accounts passed for payment) of all stoves received, and occasionally, if the stock is not of an immense quantity, test the Stock Book balance by an examination of the stock of one particular class of stove or griller. This will ensure careful attention by the storekeeper to his Stock Book, and, as stoves especially are high-priced articles, this matter of stock requires careful attention.

Where stoves are sold on hire-purchase terms, see that a proper record is kept, usually on the columnar principle, showing the prime cost of the stove, loading for profit, interest, and repair, if any. As each instalment is paid by the hire-purchaser, it should be divided into cost, profit, interest, and (if applicable) repair. The whole instalment is not to be credited against stock.

Call over the Consignment Tickets of stoves or grillers let out for hire only, and check the totals of these consignments

with the Stock Book. Trace the names of the persons entering into the Hiring Agreements from the Hired Stoves Book, or other list, or from the Consignment Tickets themselves, to the Stoves Rental Ledger, or the Gas Rental Ledger, if provision for hire of stoves and grillers be made therein.

These provisions would apply whether the stoves, &c., be sold or let out for hire from the Works, or from shops occupied by the Corporation in the town, and also whether the accounts for hire of stoves were sent out and collected by the staff of the chief financial officer or the gas manager's separate staff.

Fittings (General), including Meters.

Every sale of fittings should be recorded by a Delivery Note, and for cash sales there should be a receipt-check book. Whether a separate book be provided, or the same book used as that for stoves and grillers, would depend on the extent of the sales; or the combined delivery note and receipt might be used. Call over the delivery tickets for credit sales with the Day Book, and the Day Book with the Fitting Debtors' Ledger.

It is a well-known fact that fitters take out of stock more materials for completing a fitting order than are actually required, and for simplicity of posting it is found that the addition of a column in the Goods Outward Book for Returns and consequent deduction and *net* posting is of great use.

A fairly accurate record of sales of fittings materials may be kept, even if such sales as lead pipe are to be posted in total in weight in the Stock Book. Check the totals of the delivery tickets into the Goods Outward Book, and the net outgoings with Stock Book entries, and see that as far as possible the stocktaking entries are genuine. If the classification of the fittings in the Stock Book be satisfactory, and suitable detailed Ledger accounts be kept, the receipt of stock as per the accounts passed for payment and invoices, may be checked or tested.

To check the men's time spent on fitting work, it will probably suffice to check in total the amount shown in the Gas Works Wages Analysis Book as spent on fittings labour with the amount shown as charged to debtors in the Fittings Day Book, a special column being added therein for amount of wages charged over cost price. If an additional amount is charged for the time anticipated to be spent in fixing the meter, the addition of another column in the Day Book would surmount the difficulty in balancing in total. Most of these charges, such as fixing a meter, or a gas-bracket, or fitting a burner, are with advantage fixed and standardised, so that a lot of detailed booking is avoided.

Deposits.

(*a*) *As Security for Payment of Gas, &c., Accounts.*—Receipt-check books are always used as acknowledgment of the payment of these sums, where they are required to be paid—and in many towns they are not. As the receipts have to be produced at the time of repayment of the deposit, a collector omitting to give a receipt for this money takes far more than the usual risk. Check the entries from the Deposits receipt-check books to the Deposits Cash Account, if a separate account be kept, or direct to the gas manager's Cash Account, as the circumstances require. Verify the posting to the depositor's personal account in the Depositors' Ledger. No deposit should be repaid by deduction from the receipts, but by cheque or cash, per the petty disbursements account.

(*b*) *Meter-testing.*—These small amounts, deposited as proofs of the *bona fides* of persons desirous of having the accuracy of their meters tested, need a Receipt-check Book, which should be audited and checked through to the gas manager's Cash Account. In the event of the meter being found incorrect, the deposit is returnable, per Petty Cash; if the meter be proved

correct, the deposit is forfeited. No personal accounts, therefore, need be kept.

Rents.

The rents of any houses, shops, hoardings, &c., in or about the Gas Works premises or sub-departments should be checked by the Rent Roll, and verified in the manner previously explained. Notice that each page of the roll is signed by the officer responsible, and examine all arrears cases in the Tenants' Ledger in detail, reporting to the chief financial officer any urgent cases. It is usually advisable to go the round of the property in or about the Gas Works, and check off the properties let with those shown in the Rent Roll. The knowledge thus gained is always useful.

Acknowledgments and Sundries.

In addition to the audit of the receipt-check books, the auditor may check acknowledgments with the agreements or the copy letters constituting the arrangement, and any sundry receipts by the delivery tickets; for sales of materials, receipt-checks should, of course, be used, ensuring that all moneys shown to have been received are carried into the gas manager's cash account.

Other Receipts.

This item may include receipts on Capital Account, to which attention must be paid. Inter-departmental transfers can always be checked, whilst the sale of old materials, resulting from improvements to works, must be carefully supervised, and any tenders for quantities of scrap examined with the prices charged. Scrap metals are always best sold by tender, in quantities, as laxity in accounting for the proceeds of casual sales is always difficult to detect. The precautions to be taken in checking the receipt-check books generally would ensure that

all receipts, whether on Capital Account or Revenue, were brought into account, but as large sums may sometimes be involved in transactions resulting in a credit entry on Capital Account, it is worth while calling attention to such a probability separately.

Yard Arrangements.

It has been said that for the check of the stock of residual products, &c., a Stock Book alone is not satisfactory, but that the yard arrangements had to be such as to distribute the responsibility. This is one of the cases referred to as being beyond the auditor's powers to make alterations in the management of the works. His recommendations must be made through his chief, and may with advantage be as follows :—As a vehicle enters the works it is weighed, and its tare weight ascertained. Here a metal check should be given for the quantity required, to be produced to the foreman in charge of any particular coke store in the yard. The cart then passes on to the coke heap, and there loads, the carter delivering the brass check to the foreman, and returning to the weighbridge for the ascertainment of the gross weight and the delivery of the ticket. If payment is to be made at once, a combined delivery ticket and receipt is given; and if a sale on credit, a delivery note only is given. If a doorkeeper be employed—and usually it is essential to keep one on guard—he is only to allow the vehicle to pass out on the production of this ticket; and if, in addition, the yard foreman, or the person in charge of the loading at the heap, be provided with a Ticket Book, in which he obtains the signature or initials of the carter to the approximate weight loaded (as an alternative to the metal check arrangement), the two chances of fraud—viz., omission to enter the sale in the Ticket Book, and the under-entry of the weight by the weighman—are rendered possible only by collusion between at least two officials and the purchaser or carter.

In some boroughs there is also an arrangement by which the carter, on delivery of coke at its destination, on credit, obtains the signature of the recipient in a delivery book, but there is not any means of detecting fraud in such an arrangement.

If strong suspicion of fraud be entertained, an auditor might pay a surprise visit, and turn a cart back at the gate to be re-weighed and the ticket compared, or special watch may be set; but only where fraud is strongly suspected should this procedure be resorted to. A weighing-machine which records the tare and gross weight on a ticket, and registers the number of times it is used, may prove to be of assistance in perfecting arrangements to prevent fraud.

Gas Manager's Cash Account.

Receipts from all sources should be traced through all or any intermediate books until they arrive at the debit side of the gas manager's cash account, where all the receipts are centralised and totalled. On the credit side check off the payments to the Treasury at the proper intervals by means of the Cash Slips Book, signed by the receiving cashier. Check the additions of all the intermediate summarising books, and the totals of the additions in the cash account. Make the comparisons at the foot of the Audit Report Form, and make a note thereon of such additional information as may be of use in reporting to the chief financial officer.

DEPARTMENT No. 7.

MARKETS.

Rents.

One of the sources from which the greatest amount of income accrues in this department is the rent paid by tenants of fixed stalls and shops. These are usually let by tender annually, and this is an advantageous practice, for audit purposes. In

this case a new Roll of Rents will need to be obtained each year from the Town Clerk's Department, who will have prepared the tenancy agreements. This roll may be verified wherever possible by the printed Minutes of the Council. The list thus obtained should be checked into the Market Tenants' Ledger, especially noticing additional charges for lighting and for water, &c. Subsequent payments posted to the credit of the tenants should be verified. The receipt-check books must all be called over, and the cash account debited with all rents received. No allowance must be passed, or bad debt written off, without the authority of the appropriate Committee, as shown by the signed Bad Debts and Allowances Register.

Every shop and fixed stall should be listed by the auditor, on an inspection, and the rent traced in the Rent Rolls.

Weekly, &c., Rents and Tolls.

Receipts for occasional rentals of stalls, tolls, or saleable articles, must all be acknowledged by the receipt-check books in use. Market Toll Books are usually bound up eight or ten to a page, and the amounts on the duplicate pages totalled at the foot, a Daily Summary being made; the amount thus arrived at is entered in the Collecting and Deposit Book, either direct or by transfer from an intermediate book, where all the receipts by each toll collector are summarised. To ensure that receipts are given for each payment, the auditor may make test cases at periodical visits with the markets superintendent, by asking a few stall-holders and vendors to produce their receipts for audit purposes, in similar manner to a tram inspector's check.

Weighing Machines.

The audit of receipts for the use of the weighing-machines should be supplied by weighing-machine tickets kept in duplicate. Check off the totals of the pages of the duplicates of these tickets, and trace the total daily sums received till they

reach the Market Superintendent's Collecting and Deposit Book or cash account. Persons using the machine generally require the ticket for a voucher of the weight, so that omissions to enter the cash received are, to some extent, guarded against.

Hawkers', &c., Licences.

These, if received by the markets superintendent, should be checked by the signed counterfoils of the licences issued, as explained when dealing with licences generally.

Sundries.

Receipt-check books should be in use for all sundry receipts given by the toll collectors, and all moneys shown to have been received traced into the superintendent's Cash Account.

Superintendent's Cash Account.

Having ensured that the superintendent's Cash Account is complete, and contains an account of all moneys shown to have been received, check the deposits at the Collectors' Department with the Cash Slips, and trace the cash through to the bank.

Any external check on market tolls is very difficult. The best general means of ensuring that all receipts are accounted for is, as has been said, to pay occasional surprise visits, and, in cases of grave suspicion only, prove the collector's reliability by a pre-arranged scheme.

DEPARTMENT No. 8.

THE ELECTRICITY WORKS.

ELECTRICITY RENTALS.

At the time the auditor is attending at the Electricity Works for the periodical audit of the cash receipts he should, in addition to proving the proper acknowledgment of all sums pre-paid, verify the accuracy and completeness of the Meter-state

Registers or Cards, on which the rentals staff at the Chief Financial Officer's Department rely for particulars of amounts to be charged to consumers of electrical energy.

For all practical purposes a similar method of verification may be adopted as that suggested for the audit of the Gas Meter-state Registers—viz., making test cases of correct entry of the meter-states from the meter inspector's handbooks, tracing the entry of an account for every consumer who has paid a deposit to secure the due payment of accounts as rendered, etc. The contracts for special supplies for lighting or power (*e.g.*, tramway traction power) should always be examined.

A special feature of the verification of the Electricity Meter-states Registers is the method which obtains in some municipalities of charging a certain price for the number of units constituting a "maximum demand," and, after that number of units has been consumed, a lower rate per unit is charged. The method of thus making a differential charge is known as the "Brighton System."

It must at once be said that in this case the auditor will have to be content to accept the number of units shown by the department as chargeable at the differing rates, just as he has to be with the record of meter-states. The method of obtaining the "maximum demand" by means of indicators is purely a technical matter. Another method, known as the "Norwich" method, is to make the charge for current depend partly on the rateable value of the houses, and partly on the consumption, but these and several other methods of charging can all be adequately audited by carefully selecting the bases—*e.g.*, the Rate Books for the rateable value, and testing cases to prove the accurate working of the system.

The auditor should also verify occasional transfers from the departmental Meter Registers to the Consumers' Ledgers, as well as balancing the total additions.

Public Lighting.

Charges on this account may always be verified by the accounts rendered to, and paid by, the Street Lighting Department, both for the correct debit and the corresponding amount received, the charge generally being an agreed amount per lamp per hour, rather than for the correct number of units actually consumed.

Meter Rentals should be checked by the Register of Hired Meters, as has been shown.

CHARGES FOR ELECTRIC LIGHTING, &c., FITTINGS.

These should be verified, both as to materials and labour, in similar manner to that described in the audit of gas fittings charges.

There now remain the other usual sources of income of an electricity undertaking to be audited—viz., sales of sundry materials, rents, testing fees, pupils' premiums, &c.

For all sales of sundry materials, lamps, &c., there should be delivery tickets issued. If the charge be prepaid, the ticket should be marked as "Paid," and in addition receipt-check books should be used. For such sales as are not prepaid, the delivery tickets must be checked through the Goods Outward Books to the Day Book, which is periodically sent up to the Chief Financial Officer's Department for accounts to be made out and debits made in the appropriate Debtors' Ledger.

The Stock Ledger must be checked at least annually with the Stock Sheets prepared on stocktaking day, and any discrepancy inquired into. Test entries should be made of stock received, as shown by the accounts passed for payment, and a good

general supervision of the Stock Ledger obtained. The Stock Ledger in an electricity undertaking should always be kept in well-classified sections, with separate accounts for separate sizes of goods in the same class—*e.g.*, lamps, stoves, and so on; electrical fittings are usually high priced, and need most careful controlling and checking.

Rents should be checked by Rent Roll, as has been shown.

For meter-testing fees there should be receipt-checks issued, and a Register of Meters Tested kept. No repayments of sums deposited pending the ascertainment of the accuracy of the meter should be made out of the receipts, but out of Petty Cash, all sums received being carried in total to the Cash Account.

Pupils should have their appointment confirmed by the Electricity Committee, if any portion of the fees is payable to the Corporation, and a Register of Pupils thus appointed may be kept at the Chief Financial Officer's Department.

For sundry sales of old materials not passing through the storekeeper's books—such as old iron, ashes, wire, scrap, &c. —there should be an order issued from the Cash Office to the foreman of the yard, who is only to deliver the materials when thus authorised. No goods should leave the works without ticket.

Call over the duplicates of these orders with the receipt-check books or the Day Book, according to whether the sale was a prepaid one or not.

If old materials be sold in great quantities, it is best to sell by tender, and for records to be kept by the storekeeper of all quantities taken away by the purchasers, delivery tickets being used therefor. Check any contract prices, and see that all accounts as due are entered in the Day Book for collection by the Finance Department, or by the Electrical Engineer's own staff, according to circumstances.

Electrical Engineer's Cash Account.

Check the duplicates of the receipt-checks to the electrical engineer's Cash Account, and trace all deposits of the receipts through the Treasury to the Bank.

DEPARTMENT No. 9.

THE WATERWORKS.

WATER RATES AND RENTALS.

Where the income from the consumption of water is almost solely collected by Water Rates, levied on consumers according to the rateable value of the premises on which the water is consumed, there will not be much need for audit at the Water Offices, so far as these charges are concerned, inasmuch as the rentals staff at the Chief Financial Officer's Department will copy the amounts of the rateable value of the premises from the Valuation Lists, and make any alterations or additions thereto necessitated by successful appeals against assessments or supplemental Valuation Lists respectively. The audit of this part of the Waterworks income has already been dealt with under the head of "Rentals." At the same time, there is generally a Register of Consumers kept at the Waterworks Offices, in addition to the Consumers' Ledgers at the Rentals Office. Where this is so, columns should be inserted in this Register, and the total number of consumers shown therein checked with the corresponding columns in the Rentals Ledger; an oversight is thus gained which ensures that no consumer is overlooked when the charges are made.

The audit of accounts due for water consumed and recorded by meter, to ensure the completeness and accuracy of the Meter-state Registers, may be carried out as described in the audit of gas and electricity rentals.

The audit of the accuracy of amounts charged for water fittings, both as to materials and labour, may proceed on the same lines as that of gas fittings.

The other miscellaneous income of this undertaking is of such a nature as rents of surplus lands let, privileges, shooting and fishing rights, sales of old materials, &c.

If there be an engineer-in-charge in residence at the Works, he will probably be made an accounting officer, though the better plan, where circumstances permit, is for the chief financial officer to have the receipt of prepaid sums, as well as the collection of current accounts. All depends on the distance from the town to the Water Works. The rents and privileges can be verified by the Rents Roll, the Minutes and particulars being supplied wherever possible by the Town Clerk's Department. The granting of shooting and fishing rights should, if let to a club, be approved by the appropriate Committee and entered on the Minutes, whence the auditor could draw his evidence of the moneys being due. Individuals may, however, have rights granted, and in these cases especially it is better for the receipts to be issued at the Chief Financial Officer's Department, or at the Cashier's office, tickets for admittance to the reservoirs and grounds being given for production to the engineer-in-charge.

Sales of old materials, grass and hay, timber, &c., should be recorded by receipt-check books if prepaid, or Day Book if not prepaid, and verified, if possible, by the auditor on his visits to the Works—*e.g.*, if he sees timber being loaded he may inquire as to the consignee.

Whether the engineer-in-charge be the accounting officer or not, the auditor should call over all the duplicate receipt-checks to the Cash Account, and see that the moneys received are duly paid over to the Collectors' Office at the Finance

Department (or to the Cashier at the Waterworks Office, if there is a separate system of collection) and banked.

DEPARTMENT No. 10.

TRAMWAYS AND OMNIBUSES.

TRAFFIC RECEIPTS (INCLUDING CARRIAGE OF PARCELS).

In an audit of the receipts from the tramways, the auditor has to a certain extent to depend on the efficiency of the inspection by tram officials, and on the system in operation.

Where the collecting-box system is in use on the cars, the danger of fraud lies not so much with the conductors as with the cashiers at the Receiving Office, and the check on them by means of books alone is not very satisfactory, though it is facilitated somewhat by distributing the responsibility over two or more cashiers.

That system has been superseded in most towns by the "ticket and bell-punch" system, and where this is in use the audit (allowing for small discrepancies between the tickets and cash, which experience has shown to be common) is more effectual, and financial supervision can be better maintained. It must be said, however, that the reliability of bell-punches which register the number of times they are used, &c., is not quite as good as it should be to serve effectively as an audit factor.

The auditor in this department generally commences his work on the Waybills and Road Returns. He should, however, take steps to ensure that the ticket inspectors on the cars are efficient, and, if he has any doubt, report to his chief, for representations to be made to the Tramway Department.

Check occasional Waybills, and check the Summary of each conductor's total receipts to the Daily Traffic Receipts Form. Check the additions of the Traffic Receipt Forms, and trace the money received to the debit side of the manager's Cash Account.

A Register of Differences is kept at the Head Office as a record of each conductor's actual takings as compared with the record of his tickets, and periodically, in the case of the "shorts" exceeding the "overs," the conductor is called upon to pay the deficiency. Check the transfer of these sums to the Daily Road Return, and deal with them as with actual receipts.

At the end of the year, or other ticket stocktaking time, the auditor should attend to see the stock taken, and verify the Tickets Stock Ledger and the books which show in great detail all the ticket transactions of the year. All tickets for the tramways should be ordered by the chief financial officer, where he is the officer responsible, or the head of the department in a huge undertaking, self contained, and the entries of stock received in the Tickets Stock Ledger should be checked with the orders thus issued.

The auditor should also call for the Annual Summary of Revenues Book, and see that the totals transferred thereto, both of tickets used and cash accounted for (including differences), are in proper order, balancing in total with the amount of receipts passing through the Cash Office.

In addition to the Bell-punch Tickets, check all the entries in the Stock Books relating to Annual Tickets, where they are issued, and school children's, workmen's, and other tickets sold at the Cash Office in bundles. This may be done at very short intervals throughout the year, the Daily Receipts Forms being checked with the entries in the Stock Books, and the Stock itself occasionally verified.

If any contracts be entered into with the Post Office, manufacturing firms, &c., see that the charge under the contract is accounted for. A Register of such contracts should be kept, and checked by the Minutes where the Committee signified the acceptance.

ADVERTISEMENTS.

Advertisements on cars are generally let by tender in a lump sum. Where this is so, the audit is simplified. Call for the contract, or verify by the Minutes of the Committee, and see that the amount is received, preferably through the Chief Financial Officer's Department. If positions and spaces are separately let, the audit would proceed like that of rents generally.

Advertisements on tickets may be verified by the agreements or the correspondence with the advertisers. The auditor may also examine the tickets themselves, and, if there be an advertisement thereon, see that the charge is accounted for. Receipt-check books should be used for all advertisement charges received.

SUNDRIES.

If there be any sales of old materials, and miscellaneous receipts (or if, in the case of the horse traction system being in use, there be any sales of horses' manure, &c.), Receipt-check books should be in use, and Horse Registers kept.

LOST ARTICLES.

A fruitful source of income is commonly found in the fees charged to owners of property left in the trams, when their property is restored, and also in the sale of lost articles not claimed. There should be proper rules formulated for dealing with these articles, fixed fees payable, and periodical sales arranged. If no such receipts appear in the books, inquiry should at once be made, and if the fees are considered as

perquisites, authority should be furnished to the auditor for this appropriation. Every article found should be entered in a lost property register, a receipt should be given to the finder, and receipts taken from the owner on the restoration of his property.

Tramway Manager's Cash Account.

Check the total of all the traffic receipts from the Daily Traffic Receipt Forms, and the amounts shown to have been received by all the receipt-check books, to the Cash Account at each branch office. Call over all transfers to the General Cash Account, and trace all the deposits shown on the credit side as having been made, daily or several times per day, until they are lodged at the bank.

DEPARTMENT No. 11.

PARKS, GARDENS, AND RECREATION GROUNDS.

The probable sources from which receipts may arise in this department are rents of sports grounds, grazing charges, sales of flowers and grass, bowling-green charges, fishing, and boating fees, sales of timber, charges for use of chairs, &c.

Rents (*e.g.*, Refreshment Rooms), if for long periods, should pass the Committee, and be entered on a Rents Roll. Rents for short periods (*e.g.*, weekly) should be charged as per arrangement with the parks superintendent. If possible, the parks superintendent, and not the gardener in charge, or lodge-keeper, should be accounting officer. Arrangements necessitating charges being made should be carried out through the superintendent, and carbon copy orders giving effect to these arrangements sent to the man in charge. These duplicate orders would supply a check, additional to the general Receipt-check books in use, for such items as sundry occasional rents, sales

of flowers, grass, timber, fishing and boating fees, and grazing charges. At every visit to a park the auditor should observe all that is going on, and see that cattle grazing, old materials, cut grass, and so on, are being paid for.

Where small amounts are received from the bowling-green, or tennis, or for the use of boats or chairs, tickets should be provided, in various colours for daily changes, and used as a means of check. At the pay-box the usual notice that tickets are to be given for all sums paid should be prominently displayed. In such a case, surprise visits by the auditor, with or without the superintendent, would tend to prevent fraud, if the local park-keeper be entrusted with the collection of the moneys.

Where tennis court or bowling green, or boating fees, and the like, are payable at the rate of so much per hour, the ticket issued should show the time of issue written in by the officer issuing it, and the (printed) charge per hour, so that at any time an auditor may test the tickets in use on the green.

Park Superintendent's Cash Account.

Call over the receipt-check books to the Cash Account, and check the tickets slip with ticket rack or rolls at each visit, ensuring that all amounts shown to have been received by the receipt books and ticket slips are entered on the debit side of the Cash Account.

Trace all deposits with the Treasury, as shown by the credit side of the Cash Account and the receipted Cash Slips Book, to the bank.

DEPARTMENT No. 12.

LIBRARIES, MUSEUMS, AND ART GALLERIES.

LIBRARIES.

The first item requiring attention in the Library Department is the amount received from fines.

Check the additions of the daily summaries of fines receipts, as shown by the duplicates of the receipt-checks, testing cases occasionally by taking a book brought in on the day of audit, overdue, and seeing that the fine shown to be due on the dating form has been brought into account.

If the receipt-check books used at the Library be ruled with columns to show the nature of the receipt, the same receipts would be given for fines received, tickets and waste-paper sales, damages to books, and other miscellaneous Library receipts. The borrowers' tickets should be numbered consecutively, and a Ticket Stock Book kept. A Record of Catalogues received and sold should also be provided.

If any Rents be charged, verify by Rent Roll, as previously described. Newspapers should be sold by tender, and a list of the accepted tenders made and duly authenticated for audit purposes. Sundry Sales should be attested by the librarian, and an inventory kept of all permanent furniture or stores.

Librarian's Cash Account.

Check the summaries of each day's receipts to the Cash Account, and trace all moneys paid over to the Treasury till they are lodged at the bank.

MUSEUMS AND ART GALLERIES.

If any cloak rooms be provided, receipt-checks may be used of a counterfoil pattern, the tear-out being perforated down the middle, and one half given to the depositor, the other half, of a different pattern and wording, being placed with the articles deposited. When the articles are reclaimed, the depositor's ticket should be exhibited to the attendant, and placed in the letter-box receptacles usually provided. A notice that tickets are not to be handed to the attendant, but placed in the boxes, assists in the operation of this rule. At the visit for audit,

check off all the counterfoils of the tickets used, open one of the receptacles and examine the contents. Check the ticket numbers in the rolls, and the ticket slips to the superintendent's Cash Account. Where metal checks are used instead of tickets, a similar method of verification would apply.

Sales of catalogues, photographs of pictures, &c., should be regulated by limited numbers being issued, and a record of receipts and sales kept, the stock being balanced periodically.

Curator's or Superintendent's Cash Account.

Check all receipts shown by the tickets and catalogue slips to the superintendent's Cash Account, and verify the deposits with the Treasury, tracing their course till they are paid in at the bank.

DEPARTMENT No. 13.

EDUCATION DEPARTMENT.

(a) HIGHER EDUCATION.

Students' Fees.—Call over the receipt-check books, and trace through the summaries till the receipts reach the director's or secretary's Cash Account. One form of receipt-check is generally so designed as to cover receipts for all fees. Check the registers of the classes with the appropriate columns in the director's Cash Account, taking care that, where one fee covers a combination of classes, allowance is made therefor. This class of fee is difficult to audit, except by most careful testing of the registers, taking individual names, and proving the fee paid to be the full one due. No arrears of fees should ever appear, as prepayment is always to be insisted upon.

The transfer of sums received from the Exchequer Contribution Account (Customs and Excise Duties) of a county borough, as being appropriated for the furtherance of technical (now

higher) education should be verified, and in the case of a non-county borough verify the amount received from the County Council for the same purpose.

Grants received from the Board of Education should be verified by copies of the claims on the department made by the Director of Education, and the production of circular letters from the Board of Education accompanying the remittances.

Sales of Books and Materials.—Call over the receipt-checks used as acknowledgments of these receipts into the cash account, and trace all sales from the Stock and Stores Account and Inventory, as is described in the audit of elementary education receipts following.

Director's Cash Account.

Trace all receipts from this source to the director's Cash Account, and verify all moneys shown as being paid over to the Treasury.

(*b*) ELEMENTARY EDUCATION.

At each school, to ensure the chief financial officer's supervision of the moneys and stores received, provision should be made for the proper acknowledgment of all receipts by the use of the following books :—

(*a*) Receipt-check Books.

(*b*) Stock and Stores Account.

(*c*) Requisition Book.

(*d*) Inventory.

(*e*) Sales Account (equivalent to a Collecting and Deposit Book).

(*f*) School Fees Account.

All sums received (other than school fees) should be acknowledged by an official receipt, and particulars of these receipts entered in the debit side of the Sales Account. As a check on all sums received, whether from Sales of Books and Apparatus, or Furniture, the Stock and Stores Account and Inventory respectively are used.

Stock and Stores Account.—This record contains a Stock Account for all school stores, classified as conveniently as possible. Verify the stock in hand at commencement of period by the Stock Sheets, and check from the Requisition Book and Invoices to the debit side of the appropriate Stock Account to prove the accuracy of items making up the stocks received during the given period. On the credit side provision is made for all articles handed out to teachers, which should be acknowledged by the initials of the teacher receiving them. All entries not initialled should be assumed to be sales, and the price of the materials accounted for. This will ensure the proper keeping of the book, and it should be seen that items are not initialled at random, but that the teacher has in use the actual numbers signed for. All books "used up" (*e.g.*, exercise books) should not be destroyed, but periodically the auditor should go through the stock in the stock room, the class cupboards, and the stock used up awaiting the auditor's verification before being destroyed.

The Inventory (which records all permanent apparatus and furniture) should be periodically examined in the same way as the Stock and Stores Account, and all articles shown as "disposed of," traced.

A firm check on all stocks is essential in an audit of school receipts.

School Fees Account.—Where school fees are received there should be registers in use, so designed as to show the amounts due from each class per week. The amounts received should be checked into the School Fees Account.

Arrears on this account for elementary education, where prepayment cannot always be insisted upon, are very difficult to check, and in the event of suspicion being aroused, and extreme measures necessitated, the parents of children might be applied to, independently of the headmaster, and the amount in arrear verified. Arrears of large amount should certainly not be written off without independent application to the parents.

Headmaster's Sales Account (equivalent to a Cash Account).—Having traced all sums shown to have been received to the Sales Account, or the School Fees Account, verify the amounts shown to have been paid over to the treasurer.

Besides amounts received through the headmasters of the schools, there may also be receipts at the Director's Department on account of elementary education, to be audited in the same way as for higher education already described; grants from the Board of Education particularly call for attention.

The accounts of a Town Council acting as the Local Education Authority, in so far as they relate to the operations under the provisions of the Education Act, 1902, are subject to audit by an auditor appointed by the Local Government Board, but this does not by any means imply that there is no need for an efficient internal check by the audit staff of the Finance Department; rather is it found that the Local Government Auditor requires to be satisfied that a good check is in existence before he will certify the accounts.

DEPARTMENT No. 14.

FIRE BRIGADE.

Besides receipt-checks being in use for all purposes, a Register of services at fires should be kept, showing in appropriate columns any charges made for attendance at fires outside the municipal area, or any expenses at fires in the city or borough, recoverable (only by agreement, if in the local area, not by law) from the owners of the endangered property, or the insurance companies. The charges or expenses thus noted should be traced, as being paid or unpaid, and all receipt-checks verified thereby, whilst all charges not recovered at the time, and therefore sent to the Chief Financial Officer's Department for collection, should be verified as entered in the Day Book.

A Register of Horses should be kept, and the Disposals column checked periodically, ensuring that all sales of horses are accounted for. Disused motor vehicles should be traced in the same way.

Manure sales are difficult to verify, if sold in small amounts. The best method of disposing of all manure (if a Corporation has not a farm) is to sell it in bulk by tender. The prices and quantities are then ascertained from the tender, and a record kept of the weights of the loads as removed.

If there be any cottages or cubicles in the station let to firemen, verify by examination of the station when looking round, and check the rents, as received, by the Rent Roll and the tenants' Rent Books.

Fire Brigade Superintendent's Cash Account.

Call over all Receipt-check Books to the Cash Account, check additions, and trace the amounts shown as "deposited" to the bank.

DEPARTMENT No. 15.

THE SCAVENGING (OR CLEANSING) DEPARTMENT

(Including Refuse Destructors and Sewage Disposal Works).

SUPERINTENDENT'S OFFICE.

The administration of the Scavenging Department is, for audit purposes, best divided into three branches—(*a*) the Superintendent's Office, (*b*) the Refuse Destructors, and (*c*) the Sewage Disposal Works.

The Superintendent's Office will probably be the receiving office for the proceeds of sales of nightsoil, street sweepings, manure, old brushes and other materials, disinfectants, ash-bins and pails, old horses, &c.

As a check on these items, additional to that of the duplicates of the receipt-checks, Stock Accounts should be kept wherever possible, as in the case of ash-bins, pails, disinfectants, old brushes, &c. Receipts from the sale of old horses may be checked by the "Disposal" column of the Horse Register. Usually nightsoil, street sweepings, and manure are sold by tender. In this case, verify the tendered prices, and check the weights of materials delivered by the duplicates of the delivery tickets, the Goods Outward Books, or the Day Books at the Depôt, tracing the account through to the debit side of the Sundry Debtors' Ledger. The ensuing audit of the collection at the Collector's Department follows in due course.

Any special charges for scavenging will also be checked from the time sheets and wages book through to the Sundry Debtors' Account. Careful records should be kept of all places where special charges are made for the collection of trade refuse, and the superintendent should submit a written return, monthly, of the persons so served and chargeable.

Superintendent's Cash Account.

Call over the duplicates of all receipt-checks issued to the superintendent's Cash Account, and, if the superintendent be the only accounting officer for the whole of the department, see that the receipts from the Destructors and Sewage Works are brought into account.

REFUSE DESTRUCTORS.

At this department there will probably be sums received for the sale of old iron, and other materials sorted from the refuse heaps, clinkers, mortar, &c.

The Stock Account of these materials is difficult to keep, and the auditor has necessarily to rely considerably on the yard arrangements, described as part of the gas audit at page 114.

Occasionally a complete survey of the yard should be made, all the current processes noted, and inquiries made as to the destination of the by-products being handled. This step has been known to reveal regular transactions taking place which were not recorded, and moneys being lost.

Receipt-checks or tickets must, of course, be used, and all sums recorded thereby checked and traced until they reach the bank.

SEWAGE DISPOSAL WORKS.

The probable sources of income on this account will be sale of the products of the tanks, disinfectants, &c., and it is again advisable that all sales of these materials should be arranged through the superintendent, and not the official in charge of the Works.

In the event of a farm being worked for the use of sewage products, the steward should have a full set of books, designed to show the produce of the farm and its sale. A Register of

Cattle, especially, should be provided, and dealings in cattle fully investigated.

Sales of produce can be checked by the Stock Accounts, the Delivery Tickets, and Goods Outward Book, tracing all sales not prepaid to the Sundry Debtors' Ledger at the Finance Department. A loose system in this department, where a farmer's business is carried on, is very dangerous, and audit visits and tests should be both frequent and painstaking.

Grazing charges, unless occasional, should be checked by a Rental Roll.

Any contributions by other local authorities for treatment of the sewage from their area should be checked by the agreements, and, if based on user or the quantity of sewage treated, the accurate keeping of the record of such use or quantities should be supervised.

Call over all receipt-check books to the steward's Cash Account, and trace all moneys paid over, either through the cleansing superintendent's Cash Account or direct to the Treasury.

DEPARTMENT No. 16.

HOSPITALS AND SANATORIA.

Usually, patients in Municipal Hospitals, being ratepayers, are not charged any fee, but in many municipalities there is a charge made for patients from outside districts admitted to the Hospital. In these cases, agreements are, or should be, entered into at the time of the patients' admittance to pay for the maintenance charges during the time of residence as in-patients.

At each Hospital or Sanatorium, whether fee-paying patients are received or not, a Register of Patients should be kept by the matron, periodically submitted to and signed by the Medical Officer of Health.

Particulars of all agreements for fees to be paid by any patients are entered in the Register of Patients, in columns provided for the purpose. At the time of the patient leaving the Hospital, an account for maintenance is given out to the patient, or the patient's sponsors, and particulars entered in the Register. If payment be at once made, a receipt is given from carbon copy receipt-check books, which should be provided for that purpose, and the account in the Register posted as paid. If the account is to be collected, it should be traced through to the debit side of the Sundry Debtors' Ledger at the Finance Department.

Call over all agreements to the Register, ensuring that the Medical Officer of Health initials the entries of the charges which are to be made.

Voluntary payments of maintenance charges should be acknowledged by official receipts, and it is, perhaps, advisable to publish in the Annual Abstracts, and Medical Officer's Report, all voluntary contributions, otherwise they may be received without being accounted for, and accepted as "tips."

All sales of materials should be acknowledged by official receipts, and, if possible, verified by the Stores Account.

An important point in all hospital administration is the organisation of the Stores system. Every class of food or other supply should be recorded in Stock Accounts, showing all receipts from tradesmen and all issues for consumption; products such as waste dripping and the like should be measured

out and accounted for. There is evidence to show that (where a lax system obtains) luxuries may be supplied as "bread," or that waste products may be sold as perquisites, and only a detailed stores system will detect this.

Matron's Cash Account.

Call over all receipt-checks to the Hospital Matron's (or Medical Superintendent's) Collecting and Deposit Account, and trace all moneys paid over to the Treasury till they reach the Bank.

DEPARTMENT No. 17.

POLICE.

The principal item of income on this account is the contribution by the Government of the moiety of the expenditure on police pay and clothing. It is usually paid to the chief financial officer direct, and not to the police officers.

A county borough receives this account direct from the Government as part of receipts on Exchequer Contribution Account (Licences and Estate Duties) under the Local Government Act, 1888, and the apportioned part of this sum is transferred from the Exchequer Contribution Account to the credit of Police Pay and Clothing Account. This transfer should be verified.

A non-county borough having its own police receives this amount through the council of the administrative county in which it is situate. Verify the receipt by the circular letters enclosing the half-yearly remittances, as well as by the duplicate Receipt-checks issued to the county authorities.

(a) Chief Constable's Receipts.

The other receipts generally are:—Rents of policemen's cottages and cubicles (deducted from Police Pay), verified by the Rentals Roll and the Pay Sheets, showing in a separate column the sums deducted from the officers' wages for rent; Special Services of Police may be verified by the applications (in a prescribed form) made to the persons served and the copy-accounts book; if possible, corroborate these records by the report of the constables or sergeant-in-charge when the special service was rendered. Receipts for the conveyance of prisoners may be verified by the Home Office Remittance Forms and the copy-accounts book; fees for use of court room for inquests—by the Coroner's application forms (and the newspapers); lock-up fees, use of the ambulance, and sundries—will be, or ought to be, fully shown by the ordinary receipt-checks, which will, of course, be available for the audit of all the other receipts.

In some towns one of the most important items of income, other than Government grants, towards the cost of the police service is the charge made for the care and custody of keys of premises, especially business premises, which are left at the nearest police station during the hours when the trading premises are not occupied for business purposes.

There should be a list kept of all the firms whose keys are thus stored, and every fee chargeable should be recovered and paid over.

Items of income such as these may be noted by an observant auditor whilst on his duties at the police stations. The key cabinets are quite a prominent feature of the furniture in many stations.

Fees charged for the maintenance of lost animals, for the sale of dogs found wandering, for destroying animals, for

keeping and restoring lost articles of all descriptions, are often lost sight of, which could be traced by an audit officer who noticed lost animals in the "pound," and generally kept his wits at work in locating casual sources of income.

In this department, as in others, it is not in the larger items of income that laxity in the system may prevail, but in the smaller items, where in many towns it is common for small receipts to be considered as tips, which the authorities may consider, if asked, should be credited to the community which pays for the services rendered.

Chief Constable's Cash Account.

Call over all receipt-checks through the intermediate books to the Cash Account, and trace all moneys paid over to the Treasury till they are banked.

Licences have already been dealt with as part of the Town Clerk's audit, although in some municipalities the Police Department is given the control.

(*b*) POLICE PENSION FUND CASH ACCOUNT.

The sources from which income is on this account derived are not very difficult of verification.

Grants from the Exchequer Contribution Account (Customs and Excise Duties) may be verified by the circular letters accompanying remittances by the Secretary of State, on whose certificate the amount of the Police Pension Fund contribution is fixed. The audit of this income is usually conducted in the Finance Department, as the money is generally received there.

Rateable contributions by the police (proportionate to the rate of pay), or for fines or sickness, may be checked by the deductions from the men's wages on the Wages Sheets.

Fees and fines from the Borough Justices' Court apportioned as contributions to the Police Pension Fund may be verified by the Record of Police Court Cases kept at the Police Department, and, in addition, checked as an inter-departmental account at the audit of the justices' clerk's accounts, when the fees received by the justices' clerk's officers are paid over to the police.

Interest on investments of the Police Pension Fund may be checked as has been described at page 78.

It will always repay an auditor to examine the published accounts of the Police Superannuation Fund of other towns besides his own, to see the various items of income received by that fund elsewhere, and to ask what similar income, if any, is received in his own town.

The proportionate amount received for the services of police, contributed to the Police Pension Fund, will be checked at the same time as the amounts under this heading credited to General Account.

Sales of old clothing may be proved by the Clothing Stock Account, and sundry licences (*e.g.*, pedlars' and chimney sweeps' licences) may be checked by the Licence Counterfoils. Receipt-checks should in addition be used for all purposes, with the exception, perhaps, of licences receipts and deductions from police pay.

Chief Constable's Police Pension Fund Cash Account.

Check all sums shown to be received into the Cash Account, and trace all moneys paid over to the Treasury till they reach the Bank.

The auditor will find that an intimate acquaintance with the provisions of the Police Acts of 1890 and 1893 will be of great

service to him in his audit, both of the Police Pension Fund receipts and the receipts of fees and fines per the Borough Justices' Court.

DEPARTMENT No. 18.

ABATTOIRS.

The sources of income in this department will probably be rents of abattoirs appropriated to private use, tolls on animals slaughtered in public abattoirs, lairage charges, auctioneers' tolls, grazing charges, and sales of sundry materials.

The private rents should be in accordance with the Abattoirs Rents Roll, and be checked by the Abattoirs Rental Ledger. Periodically Arrears Lists of these rentals should be prepared and submitted to the chief financial officer.

The tolls on animals slaughtered in public abattoirs should be charged in accordance with the approved rate per animal, as per the Minutes of the appropriate Committee, and the accounts as rendered to the users of the abattoirs should be recorded in a manifold carbon copy account book. Check from this book the debits for all charges, tolls, lairage, and grazing, and call over from the receipt-checks the payments thereon, tracing all moneys received to the collectors' Cash Account. Any arrears should be checked as being carried forward week by week, and any bad cases of arrears should be recovered, if necessary, by the Chief Financial Officer's Department, independent of the abattoirs collector.

Accounts rendered to auctioneers for the privilege of using the abattoirs sale room should be verified as being at the correct rate, either on time allowance or on the number of animals sold. A copy-accounts book for these charges may be kept.

Toll Collector's Cash Account.

Trace all amounts shown by the receipt-check books to have been received, to the cash account, and all moneys paid over to the Treasury.

DEPARTMENT No. 19.

WEIGHTS AND MEASURES DEPARTMENT.

As a check on the accounts received for the stamping and adjusting of weights and measures, there should be in use receipt-check books of a special pattern, allowing of full particulars being retained of all weights stamped, adjusted, rejected, &c. One copy is handed to the person whose weights are tested, as his evidence of their correctness, and the other copy is retained in the book for registration and audit purposes.

The duplicate of these receipt-checks should be called into the Weights and Measures Register, which also may serve as the cash account for the Department.

It may be of interest to municipal audit clerks to know that in a recent case, where a municipality was in the habit of remitting the charges to tradesmen whose weights and measures were found correct, the Home Office, on ascertaining that such was the practice, have insisted on charges being made for all stamping and adjusting of weights, &c., whether found correct or not, and pointing out that under the Weights and Measures Acts there is no option of remitting such charges.

Inspector's Cash Account.

Having checked all the additions on all receipt-checks, and called over the amounts recorded thereon to the cash account, verify all payments to the Treasury by the cash slips book, and trace through to the bank

DEPARTMENT No. 20.

BOROUGH JUSTICES' CLERK'S DEPARTMENT.

There are many methods of keeping the detailed records of this Department, but the basis on which the audit of the receipt of fees and fines by the justices' clerk is made is the Court Register. This should contain a record of all cases heard before the Court, and should be signed by the chairman at each sitting as a correct record of the cases heard and the judgments thereon. The amounts of the Fees and Fines columns therein should be filled in by the magistrate, and afterwards added, and balanced in total with the Register of Fees and Fines.

Call over each fee and fine from the Court Register to the Register of Fees and Fines (the equivalent of the accounting officer's Cash Account), in addition to balancing in total, making test cases of the entries in the "Nature of Offence" column, on which the apportionment of the fine is dependent.

After the auditor has checked all the debit entries contained in the Register of Fees and Fines, the audit of the collection and apportionment of these fees and fines is next to be undertaken. At the outset, it is as well to point out that the auditor, if his audit is to be more than clerical, should not only call over all receipt-checks to the Register of Fees and Fines, but also be acquainted with the fees charged for the various legal services, in accordance with the list approved by the Home Secretary, and also have a knowledge of the legal provisions governing the apportionment of the fines to the different recipients (*e.g.*, the Inland Revenue Authorities, Overseers, Police Pension Fund, &c.). Special care is required in cases where the fine is inclusive of costs. He should make tests of these apportionments, and trace the payment of all sums to the persons entitled thereto, by the vouchers.

JUSTICES' CLERKS' ACCOUNTS.

TABLE SHOWING SPECIMEN CASES OF APPLICATION OF FINES TO THE FUNDS ENTITLED TO THEM UNDER VARIOUS ACTS AND BYE-LAWS.

Nature of Offence or Act Transgressed	Application of Fine Imposed for the Offence
Army Act	Half to Informant, Half to Exchequer
Assault (Common)	To County Borough
Assault on Police	To Police
Bicycle, no Light	To County Borough
Bicycle, not Ringing Bell	To County Borough
Bread Act	Half to Informant, Half to County Borough
Carriage, no Light	To County Borough
Chimney Sweepers (Employing Children)	Half to Informant, Half to Overseers
Criminal Law Amendment Act	To County Borough
Cruelty to Animals	To County Borough
Cruelty to Children	To County Borough
Diseases of Animals Act	Half to Informant, Half to County Borough
Dog, no Licence	Half to Police if prosecutors, Half to County Borough; if Licences Officer prosecutor, Fine to County Borough
Drunk and Disorderly	Under Local Act, Half to Police and Half to Local Authority; or, if Local Authority so decide, whole to Police
Explosives Act	On Prosecution of Inspector, to Exchequer
Ditto	On Prosecution of Police, to County Borough
Education Act and Bye-Laws	To County Borough
Factory and Workshops Act	To Exchequer
Food and Drugs Act	To County Borough
Game Act	To County Borough
Highway Act	Half to Informant, Half to County Borough
Ditto	If County Borough informant, whole to County Borough
Intoxicating Liquor Act	Halt to Police, Half to County Borough, usually
Larceny Act	To County Borough
Margarine Act	To County Borough
Merchant Shipping Act	Justices may direct Fine, or part, as compensation for wrong or damage; if no direction, to Exchequer
Militia	Proceedings instituted by Commanding Officer Fines to be paid to him
Pedlars' Act	To County Borough
Prevention of Crimes Act	To County Borough
Malicious Damage Act	To County Borough
Public Health Act	Half to Informant, Half to Local Authority; if Local Authority informant, the whole to Local Authority
Ditto	Same under Acts incorporated with Public Health Act and Towns Police Clauses Act
Railway	Misconduct of Servants, to Exchequer
Ditto	Not Producing Ticket, to County Borough
Ditto	Fraud by Passengers, to County Borough
Ditto	Trespass on Railway, to County Borough
Ditto	Bye-Laws, Half to Informant, Half to Overseers
Ditto	Obstruction, &c. Under Railway Regulation Act, 1840, to Exchequer
Tramway Bye-Laws	To County Borough
Vaccination Act	To County Borough
Vagrant Act	To County Borough
Volunteer Forces	Penalties recovered by Commanding Officer
Waterworks Clauses Act, 1847	Half to Informant, Half to Overseers
Weights and Measures Acts	To County Borough, unless share, up to Half, awarded to Informant, not Inspector

All inter-departmental payments should be traced to their destination—*e.g.*, payments to the Borough Fund, Police Pension Fund, &c. Payments to the County Treasurer (in a non-county borough) should also be verified, if possible, by the County Abstract of Accounts which is published, and also by voucher, and payments to all other persons (witnesses, complainants, &c.) should be checked by voucher in the prescribed form.

Having now dealt with all fees and fines recovered, the amounts lost by committal, remitted, or in arrear, should be verified. As evidence of amounts being lost by committal, the prisoner's body receipt may be called for. For fines and fees remitted there should be magisterial authority, as shown by the signatures in the prescribed Remitted Fees Book.

Any sums allowed by the magistrates to be paid by instalments should be entered and kept in an Instalment Ledger, in the prescribed form. An Arrears Register should also be kept of arrears from time to time unpaid, and a close supervision kept of such sums.

The Register of Fees and Fines should now be checked in total with the quarterly return to be sent to the Treasurer of the Borough, along with the fees and fines due to the local authority, in accordance with the provisions of the Justices' Clerks Act of 1875, Section 6 (40 & 41 Vict., c. 43). A knowledge of this Act, and of the rules appended to the Summary Jurisdiction Act, 1879 (42 & 43 Vict., c. 49), which prescribes the forms of books to be used, is most useful.

This audit procedure is intended to be applied in case the justices' clerk is made the accounting officer, though a rapidly-growing practice, and one to be commended, is that by which a member of the chief financial officer's audit staff attends at the Court, and takes charge of all the cash transactions there.

DEPARTMENT No. 21.

BATHS AND WASH-HOUSES.

In considering the provisions for the audit of a baths and wash-houses undertaking, the internal arrangement of the buildings has to be taken into account, as the system to be adopted depends on it. Turnstiles may be used, and in addition counterfoil tear-out tickets given. In some boroughs the railway ticket system is preferred, but the use of turnstiles, together with the issue either of counterfoil or paste-board tickets, has proved effective.

The turnstiles form a check, approximately, on the number of users, as well as giving better control to the money-takers. As a ticket is issued, it is dated, and taken by the bather to the bath he desires to use; there it should be snipped by the official at the entry to the bath, and dropped *by the purchaser*, in view of the ticket examiner, into a receptacle provided for the purpose. The ticket racks will of course be fully provided with tickets of all descriptions, whether tear-out paper tickets or paste-board tickets are used. The auditor at his periodical visit should check the ticket racks or books with the last ticket-slip made up, and to guard against collusion between the booking clerk and the ticket examiner, he should open the receptacle for the tickets, and compare the contents with the ticket rack and slip. In cases of suspicion of collusion, watch may be set, as immediately doubt is felt, extreme measures should be devised and adopted.

Besides the examination of the ticket racks, the books of tickets, bundles, and all other tickets sold in numbers should be checked. Sales of contract tickets of all descriptions, club tickets, &c., should receive careful examination. The accurate keeping of the Tickets Stock Book should be regarded as essential, and at the stocktaking periods the auditor should

attend, if possible, and verify the closing entries of the stock-in-hand in the Stock Books.

All amounts received under contract with schools, clubs, manufactories, &c., should be examined, not only as to their clerical accuracy, but the auditor should also make himself familiar with the special rates charged, by a prior examination of the Committee's Minutes.

Bathing drawers used and charged for may, in small bath undertakings, be checked by each article being enclosed in a wrapper and each wrapper accounted for, though in large undertakings this is impracticable, and, in this case, the charge for the use of the bathing dresses should be paid at the entrance to the baths to the booking clerk, and a ticket obtained. On delivery of this ticket to the baths attendant, the bearer is entitled to the use of the articles.

The use of the baths for galas, &c., for which there is a charge made, if allowed, should be sanctioned by the Baths Committee, and any fee recoverable checked by the Minutes. The newspaper reports, again, may be called to the auditor's aid. If he sees a gala reported, he should quietly see to the fee being received and accounted for.

If towels, &c., be washed at the baths and wash-houses for other departments, check by the Consignment Notes received from the senders, and verify by the accounts passed for payment by that Department which sent the articles for cleaning.

If refreshments be sold at the baths, perhaps the best arrangement is to have a Cash Recorder in use. In any case, the receipts from such a source should be supervised.

The receipts for the use of the public wash-houses should all be acknowledged by ticket, as in the case of baths, with the

additional safeguards afforded by the use of various colours of tickets daily, especially noting that the proper charges per hour are made, and that the cancelling and collection of the tickets is properly carried out. Sales of soap, &c., should also be verified wherever possible by the Stores Book, and all stores should be fully entered, in classified sections, as received and used.

Superintendent's Cash Account.

Trace all receipts from the Ticket Slips and the Receipt-check Books, if any in use, to the Cash Account, and trace the payments to the bank in the usual way.

DEPARTMENT No. 22.

CEMETERIES.

The starting-point in the audit of this department's receipts is the Registrar's receipt-check book. All sums shown thereby to have been received must be checked to the Registrar's Cash Account, but, in addition to this, there are other means of check—viz., the Register of Graves, the Register of Purchased Graves, the Memorials, &c., Register, and the Register of Burials—which is, of course, a statutory book.

The entries in these Registers relating to purchased graves, monuments, headstones, curbstones, and all burials will need to be checked in corroboration of the completeness of the entries in the appropriate columns of the Registrar's Cash Books. If this be thoroughly carried out, there is not likely (without very great risks) to be any attempt to omit entries of burials, and the consequent fee, though extras, such as the minister's fee (now required by the Burials Act of 1900 to be collected and paid over to the minister by the Burial Authority), the charge for the use of the pall, &c., need attention.

Charges for gardening graves call for separate consideration. There should be a Register of gardening fees kept, showing the date of the payment of the fee, the period covered thereby, and the dates and short particulars of the periodical attention paid to such graves. The analysis of the gardeners' time sheets, especially if work be undertaken for other Committees, may be so kept as to enable a supervision to be obtained of all work done which is to be charged for. Prepaid charges for work done and materials supplied may be checked by the cash account, and all accounts to be recovered should be verified as entered in the Day Book for collection by the Chief Financial Officer's Department.

Registrar's Cash Account.

Check all receipts to the Cash Account, either direct or through the different classes of summary books, and trace all moneys paid to the Treasury till they reach the Bank.

No. 23.—OTHER SOURCES.

BANK INTEREST.

To check the amount of bank interest allowed and charged, there should be in use a Bankers' Daily Balances Book, ruled with the following headings:—

Date	Banker's Daily Balances		No. of Days	Products		Balance
	Dr.	*Cr.*		*Dr.*	*Cr.*	
	£ s d	£ s d		£ s d	£ s d	£ s d

The amount of the Products (in pounds) is multiplied by the number of days during which it remains at that amount, *Dr.* or *Cr.*

The net total of the products is then itself multiplied by double the rate of interest, and the resultant figure divided by 73,000, the quotient being the amount of interest required, received, or charged, as the case may be.

The Bank Account of each fund should thus be audited by means of the Daily Balances Book, and the amounts checked off, ensuring that the interest is taken into account in the appropriate Cash Book.

SPECIFICATION, AND WORKS, &c., DEPOSITS.

In many departments where capital is being expended, especially in the extension or erection of buildings, &c., there will be deposits paid by contractors for specifications, tenders, &c. The methods of ensuring the chief financial officer's supervision of these receipts differ: either (*a*) all amounts, as received at the department, may be paid in to (and all repayments made by) the Finance Department; or (*b*) the accounting officer may keep a separate Deposits Cash Account therefor, repaying the deposits by postal order, &c., producing as evidence of payment the returned Deposit Note and/or the receipt of the firm to whom the repayment has been made, and paying all unclaimed or forfeited deposits through his General Cash Account to the Treasury periodically.

Of these two methods, perhaps the latter is the better, as the former probably would necessitate numerous entries through the Treasury Cash Books, and entail much unnecessary work in the repayment of the deposits, but all depends on circumstances, and the system of internal audit applied to the department is an important factor.

Assuming plan (*b*) to be adopted, the auditor should keep a record of his own (obtained from the particulars of the application for sanctions to loans, and from the Copy Advertisements Books) of all probable receipts of deposit fees. He should then call for the Deposits Cash Account, and check all the duplicates of the deposit receipts thereto. As a deposit is repaid, the original receipt should be returned and replaced, and/or a file of the receipts given by the firms to whom the repayment has been made may be kept and audited. All sums not repaid at the end of a stated period may then be forfeited, and paid in to the Treasury through the Departmental Collecting and Deposit Book.

CHAPTER VI.

CONCLUSION.

THE departmental receipts common to municipalities in general have now been reviewed and traced from their source to their destination. Every care has been taken to ensure that no department has been omitted which would be of interest to all. Special sources of receipts peculiar to a few municipalities there may be, and are, yet such have been omitted not by oversight, but by design, in an effort to keep before the reader the audit provisions generally capable of adoption in the Finance Departments of most municipalities without clouding the view by treatment of peculiarities and exceptions, which in the case of a municipal audit, as elsewhere, only prove the rule.

It will be observed that, for the greater part, the descriptive detail is of audit procedure supplemental to the merely clerical portion of the audit (the calling over of numbered Receipt-checks to the Cash Account), thus bearing in mind the preliminary injunction to look *beyond* the receipt books themselves.

Of the handbook's many imperfections the author is deeply conscious. Some of those of the first edition have been eliminated in this second, and others doubtless remain, but it is hoped that the arrangements described, and tried by the test of time, will be of use to many.

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